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NATIONAL RAILROAD PASSENGER CORPORATION

GOVERNMENT

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON SURFACE TRANSPORTATION

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

UNITED STATES SENATE

NINETY-FIFTH CONGRESS

SECOND SESSION

ON

S. 2478

TO AMEND THE RAIL PASSENGER SERVICE ACT TO EXTEND
THE AUTHORIZATIONS OF APPROPRIATIONS FOR AN ADDI-
TIONAL FISCAL YEAR, TO PROVIDE FOR PUBLIC CONSIDER-
ATION AND IMPLEMENTATION OF A RAIL PASSENGER
SERVICE STUDY, AND FOR OTHER PURPOSES

MARCH 10 AND 13, 1978

Serial No. 95-70

Printed for the use of the
Committee on Commerce, Science, and Transportation



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NATIONAL RAILROAD PASSENGER CORPORATION ACT OF 1978

FRIDAY, MARCH 10, 1978

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON SURFACE TRANSPORTATION,
Washington, D.C.

The subcommittee met at 9 a.m. in room 318 of the Russell Senate Office Building, Hon. Howard W. Cannon (chairman of the committee) presiding.

OPENING STATEMENT BY SENATOR LONG

Senator LONG. Today the Surface Transportation Subcommittee begins 2 days of hearings on S. 2478, the National Railroad Passenger Corporation Act of 1978. These hearings will afford the subcommittee an opportunity both to assess Amtrak's funding requirements for fiscal year 1979 and to review and evaluate Amtrak's operations to date. The subcommittee is faced with two objectives for these hearings. In the short term, we must evaluate the financial needs of Amtrak for the coming fiscal year. Perhaps more importantly for the long term, we must set in motion a mechanism by which the Congress can effectively review our Nation's passenger transportation needs—both by rail, bus, airline, and other modes—in order to better utilize our transportation resources to achieve the maximum public benefit.

The legislation we have before the subcommittee for consideration, S. 2478, has three primary purposes. First, the bill provides for authorizations for appropriations for fiscal year 1979 in the amounts of \$633 million for operations, \$200 million for capital expenses, and \$25 million for loan guarantees. These figures do not represent a rigorous evaluation of Amtrak's financial needs by the subcommittee, but rather represent a starting point for review and consideration of an appropriate level of Federal support. Second, the bill provides the means by which the Congress can review, and ultimately pass judgment upon, a revised route and service structure for the Amtrak system. The initial stage of that process is already underway with the Department of Transportation formulating preliminary recommendations that will be submitted to the Congress on May 1. As outlined in the legislation, the review process calls for public hearings to be conducted by the Rail Service Planning Office on the Department's initial recommendations and then submission to the Congress of the Department's final recommendations at the end of this year. Finally, S. 2478 contains several provisions designed to clarify congressional intent with regard to

the Rail Passenger Service Act and to remedy various problems relating to Amtrak's operations.

It is becoming increasingly evident that rail passenger service in this country is rapidly reaching a critical junction in its development and operation. The hearings scheduled for today and Monday will hopefully provide to the Congress much needed information to make the critical decisions that lie ahead. This subcommittee, and ultimately the full Congress, will require a great deal of input in order to rationally and logically establish a blueprint for rail passenger service that is reflective of an appropriate level of Federal support.

I would like to remind the witnesses today that we have a great deal of ground to cover and many individuals to hear from. We would appreciate your cooperation in limiting your oral presentation to a 10-minute summary of your prepared text. I am sure my colleagues on the subcommittee have numerous questions they wish to pose to you and so we wish to leave as much time as possible for those questions and your answers. As always, your complete statement will be included in the hearing record.

[The bill follows:]

95TH CONGRESS
2D SESSION

S. 2478

IN THE SENATE OF THE UNITED STATES

FEBRUARY 2 (legislative day, JANUARY 30), 1978

Mr. LONG introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

A BILL

To amend the Rail Passenger Service Act to extend the authorizations of appropriations for an additional fiscal year, to provide for public consideration and implementation of a rail passenger service study, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "National Rail Passenger
4 Corporation Authorization Act of 1978".

5 AUTHORIZATION OF APPROPRIATIONS

6 SEC. 2. (a) Section 601 (a) (1) of the Rail Passenger
7 Service Act (45 U.S.C. 601 (a) (1)) is amended as
8 follows:

9 (1) Clause (1) of such section is amended by (A)

II

1 striking out "and" immediately after "1977,"; and (B)
2 inserting ", and not to exceed \$550,000,000 for the fiscal
3 year ending September 30, 1979", immediately after
4 "1978".

5 (2) Clause (2) of such section is amended by (A)
6 striking out "and" immediately after "1977,"; and (B)
7 striking out "1978;" and inserting in lieu thereof "1978, and
8 not to exceed \$200,000,000 for the fiscal year ending Sep-
9 tember 30, 1979, which shall include amounts authorized
10 for expenditure for compatible equipment under section 703
11 (5) of the Railroad Revitalization and Regulatory Reform
12 Act of 1976;".

13 (3) Clause (3) of such section is amended by (A)
14 striking out "and" immediately after "1977,"; and (B) in-
15 serting ", and not to exceed \$83,000,000 for the fiscal year
16 ending September 30, 1979" immediately after "1978".

17 (4) Clause (4) of such section is amended by inserting
18 ", and not to exceed \$25,000,000 for the fiscal year ending
19 September 30, 1979" immediately after "1978".

20 ROUTE REEXAMINATION

21 SEC. 3. Title IV of the Rail Passenger Service Act is
22 amended by adding at the end thereof the following:

23 "SEC. 406. ROUTE REEXAMINATION.

24 "(a) The Secretary, in cooperation with the Corpora-
25 tion, shall immediately develop a preliminary recommenda-

1 tion for a route system for the Corporation which will provide
2 an optimal intercity railroad passenger system, based upon
3 current and future market and population requirements,
4 including, where appropriate, portions of the Corporation's
5 basic system. In developing his recommendations the Secre-
6 tary shall consider—

7 “(1) the adequacy of other transportation modes
8 serving the same points to be served by the recom-
9 mended route system;

10 “(2) any unique characteristics and advantages of
11 rail service as compared to other modes of transporta-
12 tion;

13 “(3) the role that passenger rail service can play in
14 helping meet the Nation's transportation needs while
15 furthering the national energy conservation efforts;

16 “(4) the relationship of benefits of given intercity
17 rail passenger services to the costs of providing such
18 services, computing the costs in loss or profit per passen-
19 ger mile rather than total loss or profit per route;

20 “(5) the transportation needs of areas lacking ade-
21 quate alternative forms of transportation; and

22 “(6) frequency and fare structure alternatives and
23 the impact of such alternatives on ridership, revenues,
24 and expenses of rail passenger service.

25 “(b) The Secretary shall develop and publish the pre-

1 liminary recommendations specified in subsection (a) on
2 or before May 1, 1978, and, at the same time, submit
3 them to the Rail Service Planning Office (hereinafter in this
4 section referred to as the 'Office'). The Secretary shall at
5 that time also provide copies of the preliminary recom-
6 mendations to the Corporation; the Office of Rail Public
7 Counsel; the Commission; Secretary of Energy; the Gov-
8 ernors, departments of transportation, and public utilities
9 commissions of each State in which passenger rail service is
10 proposed to be modified; railroads affected by the recom-
11 mendations; labor organizations duly authorized under the
12 Railway Labor Act to represent railroad employees; and the
13 United States Postal Service. In addition, copies of the pre-
14 liminary report shall be made available by the Secretary to
15 interested persons at a reasonable cost. Such recommenda-
16 tions shall include—

17 “(1) a recommended route structure for the Cor-
18 poration by end points and principal intermediate points
19 to be served;

20 “(2) quality and type of intercity rail passenger
21 service recommended for each route including frequency,
22 speed, and classes of services offered;

23 “(3) ranges of projected operating expenses, rider-
24 ship, and revenues, by route, including a measure calcu-
25 lated by loss or profit per passenger mile, and separated

1 for non-State-supported routes and State-supported
2 routes;

3 “(4) an estimate of the equipment and facilities nec-
4 essary to support the recommended route structure;

5 “(5) a recommended plan for coordinating inter-
6 city rail passenger service at points on the system with
7 other modes of transportation serving those points; and

8 “(6) based upon the route level projections, an esti-
9 mate of operating and capital appropriations required to
10 operate the system for fiscal years 1980 through 1984.

11 “(c) During the period beginning on May 1, 1978, and
12 ending on August 31, 1978, the Office shall conduct public
13 hearings on the recommendations of the Secretary developed
14 pursuant to subsection (a). Such public hearings shall be
15 held in such places and at such times as the Office deter-
16 mines will afford the affected States and communities an
17 adequate opportunity to participate in such hearings. The
18 Office of Rail Public Counsel, to the extent practicable, shall
19 provide the services of attorneys and such other personnel
20 as may be required in order to protect the interests of those
21 communities and users of rail passenger service which the
22 Director of the Office of Rail Public Counsel determines,
23 for whatever reason (such as size or location), might not
24 otherwise be adequately represented in the course of the
25 hearings and evaluations which the Office is required to

1 conduct. During such period, in addition to holding public
2 hearings, the Office shall invite comment on such recom-
3 mendations from the Corporation, the Commission, the
4 Office of Rail Public Counsel, the Governors, Departments
5 of Transportation and Public Utilities of each State in which
6 intercity rail passenger service is proposed to be modified,
7 the railroads affected by the recommendations, labor orga-
8 nizations authorized under the Railway Labor Act to repre-
9 sent railroad employees, the Secretary of Energy, interested
10 citizen groups, and the United States Postal Service.

11 “(d) By September 30, 1978, the Office shall submit a
12 summary and analysis of the evidence received in the course
13 of its proceedings conducted under subsection (c), together
14 with its critique and evaluation of the recommendations, to
15 the Secretary. The Secretary shall thoroughly consider the
16 material submitted to him by the Office with respect to the
17 recommendations and, based on that consideration (and
18 further evaluations of the Secretary), develop a final rec-
19 ommended route system for the Corporation as he deems
20 appropriate. Such final recommendation shall include a
21 summary of the significant recommendations received, to-
22 gether with the reasons for adopting or not adopting any
23 such recommendation.

24 “(e) (1) By December 31, 1978, the Secretary shall
25 submit the final recommendations, along with its support-

1 ing and explanatory material, designating a new basic route
2 system of intercity rail passenger service, to both Houses
3 of Congress, and to the Committees on Appropriations and
4 Interstate and Foreign Commerce of the House of Repre-
5 sentatives, and the Committees on Appropriations and
6 Commerce, Science, and Transportation of the Senate. The
7 final recommendations shall be deemed approved, and shall
8 take effect, at the end of the first period of 60 calendar days
9 of continuous session of the Congress after such date of
10 submission, unless either the House of Representatives or
11 the Senate adopts a resolution during such period stating
12 that it does not favor such final recommendations.

13 “(2) If either the House or the Senate adopts a resolu-
14 tion of disapproval under paragraph (1), the Secretary shall,
15 within 45 days after such date of adoption, determine and
16 resubmit a revised final recommendation to those committees
17 of the Congress specified in paragraph (1).

18 “(3) For the purposes of this subsection—

19 “(A) continuity of a session of the Congress is
20 broken only by an adjournment sine die; and

21 “(B) the days on which either House is not in ses-
22 sion because of an adjournment for more than 3 days
23 to a day certain are excluded in computing the 60-day
24 period.

25 “(f) Immediately upon approval of the final recommen-

1 dations, the Corporation shall implement the basic route sys-
2 tem designated therein and shall complete such implementa-
3 tion as soon thereafter as possible, but in no event later than
4 12 months thereafter.

5 “(g) (1) During the period beginning on the date of
6 enactment of this section, and ending on the effective date
7 of the new basic route system designated by the Secretary
8 under this section, the provisions of sections 403 and 404
9 of this Act shall not apply to the development or imple-
10 mentation of the new basic route system. After such effective
11 date, any additions, deletions, or modifications to such new
12 basic route system may be made by the Corporation in
13 accordance with the applicable provisions of such sections
14 403 (c) and 404 (including the route and service criteria
15 and procedures developed under section 404 (c) (1)).

16 “(2) During the period beginning on the date of enact-
17 ment of this section, and ending 12 months after the effective
18 date of the new basic route system designated by the Sec-
19 retary under this section, the provisions of section 801 (a)
20 of this Act (including the regulations of the Commission
21 promulgated thereunder) shall not apply to the develop-
22 ment or implementation of the new basic route system.

23 “(3) The basic route system designated by the Secre-
24 tary in the recommendations developed under this section,

1 when effective, shall supersede the basic system including
2 any route previously in effect.”.

3 NORTHEAST CORRIDOR

4 SEC. 4. Section 703 of the Railroad Revitalization and
5 Regulatory Reform Act of 1976 (45 U.S.C. 853) is
6 amended by (a) inserting “at most” immediately before “a
7 3-hour-and-40-minute” and “a 2-hour-and-40-minute”, re-
8 spectively, in subsection (1) (A) (i) of such section; (b)
9 inserting “or other responsible parties” immediately after
10 “(or local or regional transportation authorities)” in sub-
11 section (1) (B) of such section; and (c) adding at the end
12 thereof the following:

13 “(5) COMPATIBLE EQUIPMENT.—The Corpora-
14 tion shall develop economical and reliable rolling stock
15 and related equipment designed to be compatible with
16 the track, operating and marketing characteristics of the
17 Northeast Corridor at and after the completion of the
18 Northeast Corridor improvement project, including the
19 capability to reliably meet the trip times set forth in
20 subparagraph (1) (E) of this section in regularly sched-
21 uled revenue service in the Northeast Corridor. The
22 Secretary shall advise and assist the Corporation in the
23 development of such equipment, and the Corporation
24 shall obtain the Secretary’s concurrence before pur-

1 chasing such equipment with Federal financial assistance
2 that the equipment meets the goals specified in this
3 paragraph. The Corporation shall submit requests for
4 authorization of appropriations for the production of such
5 equipment and shall, together with the Secretary, include
6 equipment planning in the reports required by subpara-
7 graph 1 (E) of this section.”.

8 FACILITY AND SERVICE AGREEMENTS

9 SEC. 5. Section 402 (a) of the Rail Passenger Service
10 Act (45 U.S.C. 562 (a)) is amended to read as follows:

11 “SEC. 402. FACILITY AND SERVICE AGREEMENTS.

12 “(a) (1) (A) The Corporation may contract with rail-
13 roads or public transportation agencies for use of tracks and
14 other facilities and the provision of services on such terms
15 and conditions as the parties may agree. In the event of a
16 failure to agree, the Interstate Commerce Commission shall,
17 within 90 days after application by the Corporation, if
18 it finds that doing so is necessary to carry out the purposes
19 of this Act, order the provision of services or the use of
20 tracks or facilities of the railroad or agency by the Corpora-
21 tion, on such terms and for such compensation as the Com-
22 mission may fix as just and reasonable and the rights of the
23 Corporation to such services or to the use of tracks or facili-
24 ties of the railroad or agency under such order or under
25 an order issued under subsection (b) of this section shall be

1 conditioned upon payment by the Corporation of the com-
2 pensation fixed by the Commission. In fixing just and rea-
3 sonable compensation for the use of tracks and facilities
4 ordered by the Commission under the preceding sentence,
5 the Commission shall limit such compensation to the avoid-
6 able costs of permitting the Corporation to use the railroad's
7 or agency's tracks and facilities. In fixing just and reason-
8 able compensation for the provision of services ordered by
9 the Commission under the second sentence of this subsec-
10 tion, the Commission shall order compensation (if any) in
11 excess of avoidable costs only in proportion to increases in
12 the quality of service and only where the railroad or agency
13 provides ontime performance in excess of 80 percent of the
14 time under the fastest practicable operating schedule (consist-
15 ent with Federal safety standards established pursuant to
16 the Federal Railroad Safety Act of 1970). If the amount
17 of compensation fixed is not duly and promptly paid, the
18 railroad or agency entitled thereto may bring an action
19 against the Corporation to recover the amount properly
20 owed.

21 “(B) For purposes of this section, ‘avoidable costs’ shall
22 mean all reasonable and necessary expenses (including use
23 of tracks and other facilities) which would be incurred by
24 a carrier in providing a service which the carrier can estab-
25 lish that it would not incur if such service were not operated,

1 and all other services were continued. Such costs shall be
2 restricted to costs solely related to the service and the
3 variable portion of common costs which would not be in-
4 curred but for the existence of the service. Such costs shall
5 exclude fixed common costs, allocation of any common costs
6 which do not vary as a consequence of providing the service,
7 return on investment, rent, and any other costs which the
8 carrier cannot establish that it would not have reasonably
9 and necessarily incurred but for the existence of the service.

10 “(2) Notwithstanding any other provision of this Act,
11 the Corporation may enter into agreements with any other
12 railroads and with any State (or local or regional trans-
13 portation agency) responsible for providing commuter rail
14 or rail freight services over tracks, rights-of-way, and other
15 facilities acquired by the Corporation pursuant to authority
16 granted by the Regional Rail Reorganization Act of 1973
17 and the Railroad Revitalization and Regulatory Reform Act
18 of 1976. In the event of a failure to agree, the Commission
19 shall order that rail services continue to be provided, and it
20 shall, consistent with equitable and fair compensation prin-
21 ciples, decide, within 180 days after the date of submis-
22 sion of a dispute to the Commission, the proper amount of
23 compensation for the provision of such services and use of
24 tracks, rights-of-way, and other facilities. The Commission,
25 in making such a determination, shall consider all relevant

1 factors, and shall not permit cross-subsidization among inter-
2 city, commuter, and rail freight services.”.

3 TRANSPORTING CERTAIN ANIMALS

4 SEC. 6. Section 21 of the Animal Welfare Act
5 (7 U.S.C. 2151) is amended by adding at the end thereof
6 the following: “The Secretary shall exempt from the
7 requirements of this Act the transporting of cats and dogs
8 in passenger rail service when the Secretary determines
9 that such exemption shall result in an increase in reliable
10 humane transport service for cats and dogs.”.

11 TRANSPORTATION OF MAIL

12 SEC. 7. Section 5203 (a) of title 39 of the United States
13 Code (relating to transportation of mail by surface carrier)
14 is amended by adding at the end thereof the following: “In
15 establishing mail routes and selecting carriers to provide
16 mail transportation services thereon, the Postal Service shall
17 use the railroad services operated by the National Railroad
18 Passenger Corporation, so long as using such railroad services
19 results in no significant deterioration of mail services or in-
20 crease in costs to the Federal Government.”.

21 POLICY

22 SEC. 8. The second sentence of section 301 of the Rail
23 Passenger Service Act (45 U.S.C. 541) is amended to read
24 as follows: “The Corporation shall provide intercity rail
25 passenger service, employing innovating operating and mar-

1 keting concepts so as to fully develop the potential of modern
2 rail service in meeting the Nation's intercity passenger
3 transportation requirements, while maximizing the public
4 benefit for the public expenditure made.”.

5 MISCELLANEOUS

6 SEC. 9. (a) Section 404(a) of the Rail Passenger
7 Service Act (45 U.S.C. 564(a)) is amended by adding at
8 the end thereof the following: “In order to continue such
9 train operations, the Corporation may, notwithstanding the
10 pendency of the route reexamination being conducted under
11 section 3 of the National Rail Passenger Corporation Author-
12 ization Act of 1978, contract for the provision thereof with
13 any railroad filing a notice of discontinuance.”.

14 (b) Section 306 of the Rail Passenger Service Act (45
15 U.S.C. 546) is amended by adding at the end thereof the
16 following:

17 “(1) The Corporation shall not be subject to any State
18 or local law with respect to the construction, maintenance,
19 repair, or rehabilitation of structures carrying public roads.”.

Senator LONG. I will call the first witness, the Honorable John Sullivan, Administrator of the Federal Railroad Administration.

STATEMENT OF HON. JOHN SULLIVAN, ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION; ACCOMPANIED BY CHARLES SWINBURN, ASSOCIATE ADMINISTRATOR; MARK LINDSEY, ASSISTANT CHIEF COUNSEL; AND DAVID GEDNEY, ACTING DIRECTOR OF THE NORTHEAST CORRIDOR PROJECT

Mr. SULLIVAN. Good morning. I have with me Mr. Charles Swinburn, our Associate Administrator, and Mr. Mark Lindsey, from our chief counsel staff. With me also is Mr. David Gedney, acting director of the Northeast corridor project.

I am pleased to say that the Department is in general agreement with S. 2478, particularly as it directs us to conduct an Amtrak route study and establishes a process for its implementation.

Amtrak was established almost 8 years ago as the result of a general consensus that some level of intercity rail passenger service was in the public interest and should be a public responsibility.

As you know, Congressman Adams strongly supported the creation of Amtrak and, as Secretary, he continues to believe in the necessity of this alternative to the automobile.

Unfortunately, since the Corporation's establishment, under admittedly difficult circumstances, the hopes originally held for its eventual profitability have not become a reality.

During this time, there has been a growing debate among all concerned elements of the Federal Government over the proper role and size of a national rail passenger system. I welcome the opportunity, which your bill presents, for all of us to reach a consensus on this issue. I am optimistic that the department can provide you with recommendations which will facilitate resolution of our problems.

The remainder of my testimony addresses the specific provisions of the bill.

With regard to Amtrak's operating grant authorizations, we propose that section 2 of S. 2478 be modified to combine clause (1) of section 601(a) (1) of the Rail Passenger Service Act, which authorizes funds for Amtrak's operations over its basic system, with clause (3) of that section, which authorizes funds for Amtrak's operations in the Northeast corridor.

The existing separation of the two clauses had its origin in a fiscal year 1977 budget amendment which provided Amtrak additional funds to cover increased costs related to corridor ownership and operations. The separation has since been perpetuated, with appropriate cost escalations, in the Authorization Act of 1978 and in the current bill.

The original 1977 amendment dealt with the differential between those Northeast corridor costs already being incurred by Amtrak as a customer railroad and those anticipated by Amtrak as owner and operator.

The amounts cited do not now and never have represented Amtrak's full Northeast corridor operating expenses or cash deficits, a large share of which are still covered by the funds provided under clause (1).

Recognizing that perpetuation of this 1977 adjustment no longer serves a relevant purpose, the Appropriations Committees merged the separate allowances in the 1978 Appropriations Act. We recommend similar adjustment in the authorizing legislation.

At the level of fiscal year 1979 authorizations for Amtrak, I note that S. 2478 proposes an authorization of \$633 million for operation of the Amtrak system including the Northeast corridor.

As a matter of information, Mr. Chairman, I can inform you that as a part of a railroad bill shortly to be proposed by the Department, we will suggest that the fiscal year 1979 authorizing legislation provide for "such sums as are necessary" for operating purposes.

As you know, the President's budget provides for a fiscal year 1979 operating appropriations of \$510 million for Amtrak. We recognize that if other legislative efforts to freeze Amtrak's present system in place, pending the completion of the route study, are successful, that \$510 million will be inadequate to support Amtrak operations in fiscal year 1979.

Section 3 of S. 2478 directs the department to develop preliminary recommendations for an optimal Amtrak route system as the first step in a process which is to result in such a system being in place by early 1980.

The department's preliminary recommendations are to be published on or before May 1, 1978. After a series of public hearings, the Secretary is required to submit final recommendations to the Congress by December 31, 1978. These recommendations are to go into effect, and are to be implemented by Amtrak within 12 months, unless within 60 days either house passes a resolution disapproving the recommendations.

As I have stated, the department favors the idea of an Amtrak route study. As you know, my staff has been engaged in the conduct of such a study since last November, at the request of our Appropriations Committees.

We will be able to comply with the requirements that we have preliminary recommendations ready by May 1, thus allowing the rest of the process outlined in S. 2478 to continue according to the schedule contained therein, a schedule which we favor.

At the same time, we must recognize that the 6 months available to us between early last November and May 1 is an extremely short time in which to conduct the complex analysis associated with an Amtrak route study.

Moreover, while we have been engaged in the conduct of the route study for 4 months, some of the level of detail, and some of the areas of concern which we are required to address by S. 2478 have not been previously factored into our analytical effort.

While we will be able to satisfy the bill's requirements by May 1, there are some areas which we may not be able to fully address in our preliminary recommendations.

I would, therefore, appreciate the opportunity for my staff members who are conducting the study to meet with committee staff so we can present in greater detail what will be included in the Department's preliminary and final recommendations.

There are several other specific changes which I recommend to the section of S. 2478 which deals with route restructuring.

First: The administration has significant problems with the provision allowing a one House veto of the recommendations. As you know, the administration and the Attorney General hold such a provision to be unconstitutional.

Second: New section 406(e) (2) provides that in the event of congressional disapproval of the Secretary's final recommendations, he shall resubmit a revised set of final recommendations to the Commerce and Appropriations Committees within 45 days, but no provision for approval of those revised final recommendations is provided.

We recommend that this section be amended to provide automatic approval of the revised final recommendations unless a joint resolution of disapproval is passed by the Congress within 60 days.

Should such a resolution pass, the entire route reexamination effort should be terminated and the route and service criteria should again take effect.

Section 4 of S. 2478 would, by adding the words "at most" to parts of section 703 of the 4R Act, require Northeast corridor passenger service to operate "at most a 3-hour-and-40-minute" schedule between New York and Boston and "at most a 2-hour-and-40-minute" schedule between Washington and New York.

While we are unsure of the bill's intent in modifying the trip-time goals for the Northeast corridor improvement project, we would disagree with any modification to the current trip-time provisions of the 4R Act. We believe that the present act is sufficient to insure a full range of services tailored to the needs of all users of the corridor.

Section 4 of S. 2478 would also require Amtrak to develop, with the advice and assistance of the Secretary, rolling stock and related equipment which is compatible with the needs of the Northeast corridor after the improvement project is completed. The concurrence of the Secretary would be required before Amtrak could purchase any such equipment.

We are in complete agreement with the intent of this section to give more prominence to Northeast corridor vehicle design in the overall planning effort.

In fact, as a part of our ongoing overall reorientation of the Northeast corridor project, to make it more "system" and "user" oriented, and less of a pure construction program, I have explicitly directed my staff to pay considerable attention to the necessity for having vehicles in place which will be compatible with the needs of the Northeast corridor when the program is completed.

Because of that reorientation on our part, and because we have the resources and the expertise to properly undertake the task, I recommend that the committee consider modifying section 4 of S. 2478 to charge the department with the responsibility for developing the design and performance specifications for Northeast corridor vehicles.

We would, of course, anticipate working closely with Amtrak management in the development of those specifications. We do agree with the provision in S. 2478 that would require the concurrence of the Secretary before Amtrak purchases such equipment.

I could submit the rest of my statement for the record and answer any questions you might have.

Senator LONG. Let me ask you this: Is this an efficient operation?

Mr. SULLIVAN. Amtrak, as a whole—I think we have some major concerns, Mr. Chairman. It is a very complex operation, and I think the first thing you have to do, in comparing what you have to what you would like to have, is to have a firm date base from which to make that comparison.

One of the problems here is that not only is the operation extremely complex, but it has been subjected to varying degrees of change.

Senator LONG. Let me be more specific. I came in from New York a while back on an Amtrak train. It was about 1½ hours late.

Six or eight cars pulled in. About 10 people get off the train. If you had taken the bus, it would have been on time, and you would have had something more like a busload.

How many people does it take to operate that train?

Mr. SULLIVAN. I don't know the particular train, but I would suppose four or seven.

Senator LONG. One of the faster trains coming down from New York—what is the minimum they can put aboard?

Mr. SULLIVAN. If I may—Mr. Reistrup is here today—

Senator LONG. Don't tell me you can't answer that question. You are in charge of FRA. You can answer that question. How many people will the unions let you run that train with? What is the minimum you have to have on there working on that train to pull out of the station from New York? You should be able to answer without any help, with the job you have.

Mr. SULLIVAN. Yes, sir. It is not a detail that I get into a lot.

Senator LONG. It is very important. It costs money. How many people do you have to have on board that train in order to pull out of the station from New York into Washington?

Mr. SULLIVAN. A minimum crew consists of four. Depending on the service being operated, you would add additional conductors and/or service personnel, depending on the particular train and the size of it, and any special requirements.

Senator LONG. If you have four, you have several cars. Suppose you only have one passenger. You have four people there. Do you have to have anybody inside the car in addition to the four? A conductor or something aside from the—two in the cab, right? Somebody looking out the rear? You can't use a rearview mirror.

Then they have—is anybody else supposed to be there to run the train? Another brakeman or something like that?

Mr. SULLIVAN. To be candid with you, I can't give you the answer for a specific train at a specific time. There are probably too many people on that train.

Senator LONG. Any passenger train that is supposed to be available for the public to get on, a scheduled Amtrak train from New York to Washington has to have at least four or five cars. How many people would you have as a minimum to run the full train down?

Mr. SULLIVAN. Between 7 and 10 people, counting the food service employees.

Senator LONG. All right. Of course, this was an early morning train, that gets in here about 9:30 or 10 o'clock. Would that have food service on it?

Mr. SULLIVAN. It would have a food car, serving sandwiches, coffee, and the like.

Senator LONG. How many would you think would be aboard the train?

Mr. SULLIVAN. I would say 7 to 10.

Senator LONG. I would think there were more people on that train than passengers. Did the engineer drive it all the way through, or did he change somewhere?

Mr. SULLIVAN. I presume he would drive through.

Senator LONG. That is good news. Now, if you had—if those people came down by bus, you could have been on an executive sumptuous-type bus with one driver.

Is it appropriate for us to be taxing people to run that kind of operation where you have more people operating the train than passengers?

Mr. SULLIVAN. In a section of the country with one-third the population of the United States, there is adequate demand to provide bus and rail service.

I would think the bus would be strained somewhat if there were 500 or 600 people going from New York to Washington. Our view is there is a need for both bus and rail service.

Where there are economies possible in the area of staffing of a particular train, we would hope that management would try to accomplish those economies. But I think the effort should be made to have the two modes of transportation complement one another.

Senator LONG. Yours is losing money, isn't it?

Mr. SULLIVAN. Yes, sir. Large amounts of money.

Senator LONG. Theirs is not. Let me ask you, if we shut the Amtrak system down, just shut it down, got rid of it, would you be under any obligations—would we be under a burden of imposing on the taxpayers a burden of carrying those people, if there was no longer a job there?

Mr. SULLIVAN. Yes.

Senator DANFORTH. Would you mind explaining why and how?

Mr. SULLIVAN. I think you are taking specific cases. It is hard to be that specific, as I referred to the population, the amount of population, the variances as Mr. Reistrup will probably testify.

The quantity of people at any given time making that move are such that you can vary your base of assumptions to come up with any conclusions.

Senator LONG. Suppose we said, Now—I haven't ridden a passenger train in a long time. Most people have not. Suppose we say. Now it is not worth fooling around with any more. Let's get rid of it. Let's quit imposing this burden on the taxpayer. We would have employees left on our hands by some commitments made.

What would the effect of that be? I want to know how many do you have to pay for doing nothing.

Mr. SULLIVAN. I would have to provide that answer for you.

Senator LONG. Can you give me a guess? Have you thought about it?

Mr. SULLIVAN. For the Amtrak service? No, sir, I have not, in the sense of developing that kind of a cost on labor protection.

Senator LONG. Are you in charge of this operation?

Mr. SULLIVAN. The Department has one seat on the Board. We have a fairly good relationship with Mr. Reistrup, president of the corporation, who is managing the corporation.

Senator LONG. Part of the reason I say that is because Southern didn't go into the Amtrak system. Southern is applying for discontinuance. Amtrak doesn't want to take them over. I think maybe Amtrak is right in that. It would just mean they would lose more money.

Why don't we just shut the whole fool thing down and be done with it, instead of imposing this on the taxpayers? Can you, in good conscience, tell me we are serving a purpose by keeping this open?

Mr. SULLIVAN. Yes, sir, I think we are. The quantities of people that can be handled in an area of mass population are much greater. You have an electrified service at a time when oil imports are a major problem for us.

As we modernize that electrification system, and hopefully draw people out of their cars, we are now 87 percent of intercity travel by car, we are providing a major public service. I grant your concerns and share them. Where any element of cost is out of control, I am distressed. I have expressed that distress at Amtrak board meetings, and we have requested Amtrak management to come forward with plans to hold down these costs; but I think the underlying service is necessary.

Senator LONG. Are most of these railroads—of course, we don't have passenger service in Baton Rouge any more. I can get out and walk that rail for exercise, and don't have to bother about some train coming down the track. There is not much traffic rolling on those rails anyway.

So it is not all that inconvenient just to take a nice exercise by walking down the railroad right-of-way, much safer than walking down a highway, because there are a lot of cars moving on the highway. I can't recall having a train come by in all the walking I have done on the railroad tracks in the last year or two.

If you simply made it possible for the buses to roll down those rails during the congested hours, they could put a lot of people in the heart of town, a lot more than you are putting in the heart of town, it seems to me.

Basically, if they use the new type equipment, and there are new innovations being considered, why shouldn't we do something like that?

Mr. SULLIVAN. I am personally for keeping an open mind.

The rapid rate of increase in costs, together with a less rapid increase in revenues, got us into this position where the administration has been trying to hold the line for a \$510 million operating deficit.

I think I agree with you. We have publicly stated we would prefer to see the system rationalized. If you find a section of track where you can walk up and down all day long, where there are no trains going by. The railroads, whatever the section of the country, should be allowed to abandon such sections of track.

I think the thing I would say here is that Amtrak, by the very nature of its structure, is operating on joint use agreements throughout the Nation on other people's track other than the Northeast corridor.

The other concerns are the major railroads with their network of lines throughout the country. They will be there anyway. We have \$18 billion going in freight traffic along these roads, so that the right-of-way is there. I don't think you will want to stop a 70-mile-an-hour freight on a main line, and run any other type of vehicle there. That would create major safety hazards.

I think there is a viable need for passenger service nationwide. I think the route service studies being addressed in your bill, something we are taking very seriously and putting our best efforts in, should provide the framework for addressing the system as a whole.

I think the 504 and 901 studies, which are now reaching completion, will address many points that you are raising here as to when elements of cost are such that they don't deserve support from the Federal Treasury.

I share those concerns, but I very firmly believe this country needs a rail passenger network.

Senator LONG. Now, if the passengers were willing to pay for it, could it survive? If Mr. Carter right now wants the barge lines to pay what it costs to keep the waterways up, suppose we took the same attitude toward Amtrak. It is competing with airlines. It is competing with buses which are managing to make a profit.

If you had to charge for the service, for the full costs to provide it, could it survive?

Mr. SULLIVAN. It would be a much smaller system with less underutilized track, based on the economics, with a management that could control the costs you refer to—

Senator LONG. Hold on. You say "control the costs." Are you talking about cutting down the number of people on that train—the 7 to 10 people that you said it would take to haul 5 passengers down from New York?

Mr. SULLIVAN. We would have a look at that as well as any other cost.

Senator LONG. The union won't let you do that. Wouldn't they shut the whole thing down for you anyway?

Mr. SULLIVAN. In that case, the system would not survive. What I would presuppose, would be—

Senator LONG. It sounds to me as though you are putting an option out there that doesn't exist.

Mr. SULLIVAN. Well, Mr. Chairman, my view—I am not sitting in on negotiations—is that rail labor is concerned about the economic conditions that they are faced with. In certain areas where they are negotiating separately, they have taken a very constructive approach to lowering some of the labor costs and managing costs.

Senator LONG. Have they been willing to reduce the size of the crews in order to keep the train going?

Mr. SULLIVAN. My understanding is they prefer to address that on a local basis, Mr. Chairman.

Senator LONG. Can you answer the question? That is a totally evasive answer. Have they been willing to reduce the size of the crew where the train is losing money?

Mr. SULLIVAN. I believe Rock Island has been able to achieve some labor savings.

Senator LONG. My impression is the position of the unions have been that they would rather shut the thing down, and call upon the Government to support them, than they would to reduce the size of those crews. Is that correct or not?

Mr. SULLIVAN. Maybe I am overly optimistic, Mr. Chairman. The union leaders I have talked to express, I would say, a new willingness to look at the questions such as crew consist, manning, et cetera.

Senator LONG. I am not talking about "looking at." I am talking about, "Will they do anything?" I am talking to you about doing something. I will talk to you about the Devil. That doesn't mean I am on his side. Have they agreed to do something about that issue?

Mr. SULLIVAN. Not any specific agreement I am aware of.

Senator LONG. Thank you very much.

Any questions?

Senator DANFORTH. No.

The CHAIRMAN. I have some, Mr. Chairman. Further on, the point the chairman made here, I think that a change of the crew consist would be a drop in the bucket compared to the overall problem. I have a chart here that shows on the New York to Florida run, the loss on that is \$122.55 per passenger. That is absolutely absurd, to run a train like that, where the taxpayers are paying \$122.55 to carry each passenger down there on that run.

Obviously, if you reduce the crew by two people, which is probably the outside number that you could do, you won't begin to pick up the slack in that cost. The cost on the Chicago to San Francisco run, \$102.56 per passenger; Chicago to Florida, \$108 per passenger. Those kinds of figures give me a lot of concern just as the chairman expressed.

From 1971 through 1977, \$1.8 billion of public funds has been committed to subsidize Amtrak's operating expenses with an additional \$633 million requested for the ensuing year.

In addition, \$1.2 billion has been invested in Amtrak for capital equipment expenditures with another \$1 billion projected through 1982, almost \$8 billion to provide rail passenger service during a 10-year period for about 1 percent of our traveling citizens.

The GAO report indicates that the estimates are much under what the facts are. There will be a greater need for Federal assistance than has been estimated by Amtrak.

Do you feel that that is a justifiable allocation of our resources?

Mr. SULLIVAN. When we start to weigh where our resources are going in the transportation network, we have to be all inclusive. I would say we built quite a highway system out there.

The chairman refers to the barge industry. I think if you start to talk about competitive equality, what one mode or the other could do, and what degree of dollars should go in front end in what way, you have to actually focus on the whole scope of what is out there in the transportation network.

We in the Department don't favor one mode over another. We believe very strongly that we are at a time in this Nation's history when there is a general perception of limited resources that should be allocated properly.

I certainly agree with that, but I can submit that it is not always easy to weigh the numbers of dollars that have gone into which mode,

and what form of user charge one or the other is paying compared to another.

It gets to be an exhaustive and complex type of analysis.

The CHAIRMAN. You did everything but answer my question. Do you feel that that is a justifiable allocation of our resources to a type of an operation where the Government is expending that much money and subsidizing per passenger travel, as I pointed out to you, and I must say, I gave you the three worst examples.

\$122.55 per passenger. You can almost buy them an airplane ticket for that. That was from New York to Florida, and \$108 from Chicago to Florida. It sounds to me like nobody wants to go to Florida. \$102.56 from Chicago to San Francisco.

Do you feel that that is a justifiable allocation?

Mr. SULLIVAN. No, sir. Routes like those are of great concern to us. At the time the Floridian was voted out of the system at an Amtrak board meeting, we supported that. Then it was put back in, and we started the route and service study referred to earlier, which we are attacking with, I would say, the desire to be able to point out routes such as those, and have people aware that in certain areas the service is prohibitively expensive in relation to the number of people that use the service.

The CHAIRMAN. Amtrak indicated the fiscal year 1979 requirements of \$613 million to cover its anticipated deficit in operating expenses and \$341.4 million for capital improvements.

Your prepared statement doesn't address the question of fiscal year 1979 funding. Yet the Agency has recommended substantially reduced funding. \$510 million for operating expenses and \$111 million for capital improvements.

Now, in responding to the question of what is an appropriate funding level, I would like your reaction to the prepared remarks of another witness today that says that the reduced level of capital improvement funding recommended by the administration would result in wholly inadequate power, rolling stock, and maintenance-of-way requirements.

In short, it would be \$111 million literally thrown away. Would you comment on that?

Mr. SULLIVAN. We have expressed publicly our concern that the Corporation has been unable to live within the limits prescribed. It gets into the question of what amount of service you are providing with the dollars available.

Our position has been that the Board is the entity having the management authority of Amtrak. They are to present a plan to operate within the appropriated sums. This really hasn't been accomplished as of this point.

As I said in my testimony, we are aware that the de facto freeze on the system, while we came out of the Floridian vote and into the route study, has created a situation where there will, in all probability, be an overrun on operating subsidies to the point of needing supplemental appropriations.

These are subjects of great concern to us.

The CHAIRMAN. I just saw a newspaper report that the administration may favor a bill recently introduced by Representative McFall to have the Federal Government take over the operations of Amtrak.

Would you be able to respond to that?

Mr. SULLIVAN. It is a subject we have under study, because of the very concerns that I am expressing. It is not one we have reached a firm position on because we think there are so many options.

But there are obvious problems there that have to be addressed. I discussed, not the bill itself, but the question of how do you get control of this with Mr. Reistrup, who, I think, has been quoted publicly as saying he is concerned that he is buffeted between conflicting pressures.

We expect to have a position on that shortly. We are studying it now. We think it addresses the concern of responsibility for public funds and control of an entity that needs to be managed. We don't have a firm position on this question.

The Chairman. Thank you.

[The statement follows:]

STATEMENT OF JOHN M. SULLIVAN, ADMINISTRATOR, FEDERAL RAILROAD
ADMINISTRATION

Mr. Chairman and members of the Subcommittee, I am pleased to appear before you today to testify on the Bill introduced by Chairman Long, S. 2478, the National Rail Passenger Corporation Act of 1978. This Bill would provide Amtrak with authorizations for appropriations for Fiscal Year 1979, would direct the Secretary of Transportation to develop a new route system for Amtrak, and, in its other provisions, would remedy various problems that have arisen in relation to Amtrak's rail passenger operations.

I am pleased to say that the Department is in general agreement with S. 2478, particularly as it directs us to conduct an Amtrak route study and establishes a process for its implementation. Amtrak was established almost eight years ago as the result of a general consensus that some level of intercity rail passenger service was in the public interest and should be a public responsibility. As you know, Congressman Adams strongly supported the creation of Amtrak, and, as Secretary, he continues to believe in the necessity of this alternative to the automobile. Unfortunately, since the Corporation's establishment, under admittedly difficult circumstances, the hopes originally held for its eventual profitability have not become a reality. During this time, there has been a growing debate among all concerned elements of the Federal Government over the proper role and size of a national rail passenger system. I welcome the opportunity, which your Bill presents for all of us to reach a consensus on this issue. I am optimistic that the Department can provide you with recommendations which will facilitate resolution of our problems.

The remainder of my testimony addresses the specific provisions of the Bill.

AMTRAK AUTHORIZATIONS

With regard to Amtrak's operating grant authorizations, we propose that section 2 of S. 2478 be modified to combine clause (1) of section 601(a)(1) of the Rail Passenger Service Act, which authorizes funds for Amtrak's operations over its basic system, with clause (3) of that section, which authorizes funds for Amtrak's operations in the Northeast Corridor. The existing separation of the two clauses had its origin in a Fiscal Year 1977 budget amendment which provided Amtrak additional funds to cover increased costs related to Corridor ownership and operations. The separation has since been perpetuated, with appropriate cost escalations, in the Authorization Act of 1978 and in the current Bill.

The original 1977 amendment dealt with the differential between those Northeast Corridor costs already being incurred by Amtrak as a customer railroad and those anticipated by Amtrak as owner and operator. The amounts cited do not now and never have represented Amtrak's full Northeast Corridor operating expenses or cash deficits, a large share of which are still covered by the funds provided under clause (1). Recognizing that perpetuation of this 1977 adjustment no longer serves a relevant purpose, the Appropriations Committees merged the separate allowances in the 1978 Appropriations Act. We recommend similar adjustment in the authorizing legislation.

At the level of Fiscal Year 1979 authorizations for Amtrak, I note that S. 2478 proposes an authorization of \$633 million for operation of the Amtrak system including the Northeast Corridor. As a matter of information, Mr. Chairman, I can inform you that as a part of a railroad bill shortly to be proposed by the Department, we will suggest that the FY 1979 authorizing legislation provide for "such sums as are necessary" for operating purposes. As you know, the President's Budget provides for a Fiscal Year 1979 operating appropriation of \$510 million for Amtrak. We recognize that if other legislative efforts to freeze Amtrak's present system in place, pending the completion of the route study, are successful, that \$510 million will be inadequate to support Amtrak operations in FY 79.

AMTRAK ROUTE STUDY

Section 3 of S. 2478 directs the Department to develop preliminary recommendations for an optimal Amtrak route system as the first step in a process which is to result in such a system being in place by early 1980. The Department's preliminary recommendations are to be published on or before May 1, 1978. After a series of public hearings, the Secretary is required to submit final recommendations to the Congress by December 31, 1978. These recommendations are to go into effect, and are to be implemented by Amtrak within 12 months, unless within 60 days either House passes a resolution disapproving the recommendations.

As I have stated, the Department favors the idea of an Amtrak route study. As you know, my staff has been engaged in the conduct of such a study since last November, at the request of our Appropriations Committees. We will be able to comply with the requirement that we have preliminary recommendations ready by May 1, thus allowing the rest of the process outlined in S. 2478 to continue according to the schedule contained therein, a schedule which we favor.

At the same time, we must recognize that the six months available to us between early last November and May 1 is an extremely short time in which to conduct the complex analysis associated with an Amtrak route study. Moreover, while we have been engaged in the conduct of the route study for four months, some of the level of detail and some of the areas of concern which we are required to address by S. 2478 have not been previously factored into our analytical effort. While we will be able to satisfy the Bill's requirements by May 1, there are some areas which we may not be able to fully address in our preliminary recommendations.

I would, therefore, appreciate the opportunity for my staff members who are conducting the study to meet with committee staff so we can present in greater detail what will be included in the Department's preliminary and final recommendations.

There are several other specific changes which I recommend to the section of S. 2478 which deals with route restructuring. First, the Administration has significant problems with the provision allowing a one House veto of the recommendations. As you know, the Administration and the Attorney General hold such a provision to be unconstitutional. Second, new section 406(e) (2) provides that in the event of Congressional disapproval of the Secretary's final recommendations, he shall resubmit a revised set of final recommendations to the Commerce and Appropriations Committees within 45 days, but no provision for approval of those revised final recommendations is provided. We recommend that this section be amended to provide automatic approval of the revised final recommendations unless a joint resolution of disapproval is passed by the Congress within 60 days. Should such a resolution pass, the entire route reexamination effort should be terminated and the Route and Service Criteria should again take effect.

Third, we propose that the provision of the Bill which would suspend the authority of the Interstate Commerce Commission over the adequacy of the service provided by Amtrak until 12 months after the effective date of the new Amtrak route system be modified. We suggest that the Committee consider further suspending the ICC's authority, indefinitely, over any route specific service recommendations made by the Secretary and adopted by the Congress.

NORTHEAST CORRIDOR

Section 4 of S. 2478 would, by adding the words "at most" to parts of section 703 of the 4R Act, require Northeast Corridor passenger service to operate "at most a 3-hour-and-forty-minute" schedule between New York and Boston and "at

most a 2-hour-and-forty-minute" schedule between Washington and New York. While we are unsure of the Bill's intent in modifying the trip time goals for the Northeast Corridor Improvement Project, we would disagree with any modification to the current trip time provisions of the 4R Act. We believe that the present Act is sufficient to insure a full range of services tailored to the needs of all users of the Corridor.

Section 4 of S. 2478 would also require Amtrak to develop, with the advice and assistance of the Secretary, rolling stock and related equipment which is compatible with the needs of the Northeast Corridor after the improvement project is completed. The concurrence of the Secretary would be required before Amtrak could purchase any such equipment.

We are in complete agreement with the intent of this section to give more prominence to Northeast Corridor vehicle design in the overall planning effort. In fact, as a part of our ongoing overall reorientation of the Northeast Corridor project, to make it more "system" and "user" oriented, and less of a pure construction program, I have explicitly directed my staff to pay considerable attention to the necessity for having vehicles in place which will be compatible with the needs of the Northeast Corridor when the program is completed.

Because of that reorientation on our part and because we have the resources and the expertise to properly undertake the task, I recommend that the Committee consider modifying section 4 of S. 2478 to charge the Department with the responsibility for developing the design and performance specifications for Northeast Corridor vehicles. We would, of course, anticipate working closely with Amtrak management in the development of those specifications. We do agree with the provision in S. 2478 that would require the concurrence of the Secretary before Amtrak purchases such equipment.

AMTRAK'S AGREEMENTS WITH RAILROADS

One provision of section 5 of S. 2478 would add a new section to the Rail Passenger Service Act which would define the term "avoidable costs" as it is used in determining the amounts to be paid by Amtrak to the railroads over whose track it operates. While we agree with the intent of the new section, which is to insure that Amtrak only pays those costs which are actually incurred by the railroad in providing service or the use of tracks and facilities, we believe that we have legislative language which more clearly and easily accomplishes that goal. I have attached a copy of that language to my testimony and I will be happy to make my staff available to discuss it with Committee staff.

OTHER PROVISIONS OF S. 2478

Sections 6 and 7 of the Bill deal with the transportation by Amtrak of animals and mail. We have brought those sections to the attention of the Agriculture Department and the Postal Service, who have responsibilities that would be affected by those sections. They have both indicated that they will independently provide any comments they might have to the Committee.

Section 9(a) of the Bill authorizes the Corporation to conclude an operating agreement with any private carrier filing a petition to discontinue its own rail passenger service pending the completion of the route study. The Department believes that this section should be deleted because the Corporation already possesses such authority.

Section 9(b) amends the Rail Passenger Service Act as follows:

"The Corporation shall not be subject to any State or local law with respect to the construction, maintenance, repair, or rehabilitation of structures carrying public roads."

This section raises a very complicated and difficult issue. There is great doubt in many instances concerning who owns and who has the obligation to maintain highway bridges over railroads. That is especially true on Amtrak's Northeast Corridor trackage which is some of the oldest in the country and which has some of the most complicated real property records of any rail-related real estate in the country. We are finding that in some cases the railroad has a legitimate duty to maintain an overhead highway bridge and in other cases that a state or local government has the responsibility. The situation is extremely complex, the needed repair will be very expensive in the aggregate, and we do not have enough information to make informed recommendations to you concerning specific solutions. Therefore, we propose that section 9(b) be deleted from the Bill and the problem be reserved for further study.

Mr. Chairman, that concludes my prepared testimony. I will be happy to answer any questions which you or other members of the Committee may have.

ATTACHMENT TO ADMINISTRATOR SULLIVAN'S TESTIMONY—PROPOSED
AMENDMENT TO SECTION 5 OF S. 2478

"(B) For purposes of this section, 'avoidable costs' are those reasonable and necessary expenses which are incurred by a carrier in providing a service or the use of tracks and facilities to the Corporation, which the carrier establishes that it would not incur if such service and such use of tracks and facilities were not provided and all other services were continued unchanged."

(The following information was subsequently received for the record:)

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
March 24, 1978.

HON. JACK SULLIVAN,
Administrator, Federal Railroad Administration, Department of Transportation,
Washington, D.C.

DEAR MR. SULLIVAN: We are writing to you to get clarification, as well as specific suggestions, relating to questions that were raised in the recent Amtrak authorization hearings. From 1971 through 1977, \$1.8 billion of public funds have been committed to subsidize Amtrak's operating expenses with an additional \$3.6 billion for the ensuing five years. In addition, \$1.2 billion have been invested in Amtrak to date for capital equipment expenditures with another billion projected through 1982. Almost \$8 billion to provide rail passenger service during a ten year period has been allocated for approximately one percent of our travelling citizens. Do you feel this is a justifiable allocation of our resources?

Amtrak has indicated fiscal year 1979 requirements of \$613 million to cover its anticipated deficit for operating expenses and \$341.4 million for capital improvements. Your prepared statement does not address the question of fiscal year 1979 funding, yet the Administration has recommended substantially reduced funding (\$510 million for operating expenses and \$111 million for capital improvements). Please comment, providing specific recommendations.

In responding to the question of an appropriate funding level for fiscal year 1979, we would also like your reaction to the prepared remarks of another witness that the reduced level of capital improvement funding would result in "wholly inadequate motive power rolling stock in maintenance of way requirements. In short, it would be \$111 million literally thrown away." (From statement of J. R. Snyder of Railway Labor, page 4.)

We would also like your response to newspaper reports that the Administration may favor a bill recently introduced by Representative McFall to have the Federal Government take over the operations of Amtrak.

In terms of practical solutions to the problems of skyrocketing costs, please give the Committee your thoughts and comments on the following alternative methods for raising additional revenue, as well as cutting expenses.

1. A suggestion that the states be required to come up with a higher match than 50 percent on the 403 (b) trains.

2. An alternative that would require the states to make some contribution to the long distance trains that sustain heavy losses. This contribution could, for example, be based on mileage or some other relevant factor.

3. A plan that would require Amtrak to increase its ticket prices. In this regard it is worthwhile to note a statement made by Arthur Lewis in his testimony, "It is not a valid market assumption that passengers will not pay compensatory rates when the service is important to them. They pay what it costs to ride the airlines and to ride the buses. There is no basic reason to believe that the rail passenger will not similarly pay the cost of his trip when he goes by rail if in fact it is an essential service."

Sincerely yours,

HOWARD W. CANNON,
Chairman.

RUSSELL B. LONG,
Chairman, Surface Transportation Subcommittee.

DEPARTMENT OF TRANSPORTATION,
FEDERAL RAILROAD ADMINISTRATION.
Washington, D.C., May 8, 1978.

Hon. RUSSELL B. LONG,
*Chairman, Subcommittee on Surface Transportation, Committee on Commerce,
Science and Transportation, U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: During recent hearings on S. 2478, the "National Rail Passenger Corporation Act of 1978," I agreed to provide you with estimated Fiscal Year 1979 operating and capital costs which would be associated with the Amtrak system recommended in our Reexamination of the Amtrak Route Structure.

It is our understanding that the Committee is contemplating a FY 1979 authorization for Amtrak operating losses of \$510 million. This figure was the one originally proposed in the President's January Budget, but was qualified as contingent upon implementation of the Department's Route Study. A \$510 million level for FY 1979 could be achieved if Amtrak embarked immediately on interim route, fare and service adjustments and managerial economies. Should such interim changes not occur, and if the route and fare structure is "frozen" pending implementation of the final Route Study recommendations, a higher authorization would be necessary.

Because the precise operating requirements will not be known until the public comment period has expired, a final report is submitted to Congress and a firm schedule is established to implement its recommendations, we are not prepared to propose an amendment to the 1979 budget or any specific authorization amounts at this time.

In response to Congressional direction, however, the Preliminary Report, which has been issued today, does include multi-year cost estimates of the various Amtrak operating scenarios studied by DOT in preparing its recommended system. The net operating losses on the recommended system are estimated in the long run to be about 20% less than what would be incurred by maintaining the existing system. If, the following pending legislative proposals, the existing system is kept essentially intact until 60 legislative days after submission of the final report, and allowing Amtrak a reasonable time for transition to the recommended system, it is not likely that any new Amtrak route structure would be implemented before June 1, 1979.

Using this eight month /four month split between the existing system and the recommended system respectively, and assuming no interim adjustments in routes, fares, service or administrative costs, Amtrak would incur operating losses of \$574 million in FY 1979, including the Federal share of state supported services. Approximately \$113 million would be required for capital costs. The debt retirement estimate of \$25 million, already in the President's 1979 Budget, and the Northeast Corridor purchase installment of \$24 million, already authorized in the 4R Act, remain unchanged.

In making these estimates I must reiterate that they could be changed by further Congressional direction we may receive on the route structure to be operated during the public comment period or during subsequent Congressional review of the Final Report, and of course, by any revisions to the recommended system developed out of the public comment process itself.

Sincerely,

JOHN M. SULLIVAN, *Administrator.*

Senator LONG. Thank you.

I will now call Mr. Paul Reistrup next. He is the president of the National Railroad Passenger Corporation.

STATEMENT OF PAUL REISTRUP, PRESIDENT, NATIONAL RAILROAD PASSENGER CORPORATION; ACCOMPANIED BY DON R. BRAZIER, VICE PRESIDENT, FINANCE, AND TREASURER

Mr. REISTRUP. Good morning, Mr. Chairman, Senator Cannon.

I have with me on my right, Don Brazier, who is our vice president, finance, and treasurer, who, if needed can assist me with the numbers which are in great volume at Amtrak.

Consistent with your guidance at the beginning of the hearing, my summary testimony will be addressed to pages 1 through 6, and 19 and 20 of my prepared statement. The balance, the center section of

my statement, is in the form of responses to your written questions submitted February 21.

I have been specifically authorized by the Amtrak Board of Directors to seek the funding specified in our 5-year corporate plan, and my testimony here today will proceed accordingly.

The amount requested for operations is based on the assumption that Amtrak will continue to operate all routes and basically the same services to the public that we are operating today. That is, train-miles operated will remain about the same.

This operating requirement for the fiscal year is \$613 million. This figure includes estimated inflation and is based on our estimated funding requirement for all of fiscal year 1978, including the additional operating funds requirement resulting from Amtrak's takeover and operation of the Northeast corridor between Washington and Boston, and which also assumes that essentially all present services now operating will continue throughout the present fiscal year.

Parenthetically, I think I should add at this point that Amtrak will require an additional supplemental appropriation to continue present services through the current fiscal year—fiscal year 1978—as we have been instructed by Congress, although no additional authorization is needed for the additional fiscal year 1978 funding.

Amtrak's request for capital-improvement funding in fiscal year 1979 is \$341.4 million. This includes funding for rolling stock—cars and locomotives—maintenance facilities, stations and other facilities, and right-of-way work.

I also note that S. 2478 would also authorize another \$25 million grant to be applied toward reduction of our guaranteed-loan indebtedness, which will save interest expense, and which we also strongly support.

We very much support the changes that would be made under section 3 of S. 2478. The criteria and procedures for making route and service decisions were neither designed nor intended for making revisions to the Amtrak basic system as an integrated, national whole. They were designed to analyze and improve single routes or groups of routes, and to provide an objective basis for measuring route performance vis-a-vis other routes in determining priorities for changes.

A systemwide review was proposed by Amtrak in our most recent 5-year plan, and we are pleased that the process is already underway.

Section 3 of the bill before you would clarify the task with more precision and—most importantly in my view—it would also require essential public participation before any revised route system is made final.

I would offer at this point the following suggestions: I am not sure that section 3 provides sufficient time for all participants to do what really amounts to an enormous job properly and with the necessary precision of detail. One of the problems facing the Secretary of Transportation and the original "Railpax" Board of Incorporators back in 1971 was the very tight deadline in getting a national system up and operating. It is one thing to draw lines on maps and another thing to know what is exactly available out on the ground in terms of track conditions, stations, platforms, and other facilities, and the possible need for new construction and upgrading of the physical plant, such as the construction of strategically placed passing sidings, connecting tracks or crossovers, or signaling changes.

The bill as drafted does extend the time available to the Secretary for submission of his preliminary report to May 1, 1978. This may be sufficient, and it is certainly an improvement over the original March 1 date, but I suspect we will get a better preliminary report if the Department can be given a little more time.

It seems to me that the 4 months allotted for the public hearings to be held by the Rail Service Planning Office would probably be sufficient, but at the conclusion of the hearing phase I think it could be helpful if the RSPO was directed to formulate and transmit to the Secretary its own list of recommendations or amendments to the preliminary plan, rather than just providing a summarizing service for the Secretary on the public input received.

If this suggestion is adopted, then 1 month for the RSPO to develop its submission to the Department may be insufficient. Here, too, we need to be sure that the best possible input is provided.

Subsection 406(d) of the proposed amendment in section 3 of the bill requires the Secretary to include, in his final recommendation, a summary of the significant recommendations received from the RSPO, together with the reasons for adopting or not adopting such recommendations.

If the suggestion made here is adopted—that RSPO also make its own recommendations—then perhaps this language should be clarified to require substantive comment in the Secretary's final report on the RSPO recommendations, as well as on the significant public comments forwarded to the Department by the RSPO.

The net effect, of course, of any extension of deadlines before services can be changed is that the funding requirement for continuing the present Amtrak operations will continue unchanged for a somewhat longer period. This may or may not result in some added Federal expense, but one major mistake in changing a route, or in a last-minute addition of a route or service, could easily result in an increased funding requirement on a scale larger than that required to keep the present system operating a few months longer. We have all seen this sort of thing happen too often in Government.

We are supporting the zero-based analysis. In retrospect, setting up of Amtrak in 1970 was done under pressure. It was done too quickly. People weren't getting the facts on what it costs to operate this type of service, particularly with the labor contracts you referred to that existed at this time.

We also feel there should perhaps be a better process in the congressional review once it gets past RSPO. The plan submitted may be basically a good plan, but it might be voted down because some factors could be improved on, and the congressional input is important here.

Perhaps a requirement could be added that a resolution to approve or disapprove be brought to the floor of both Houses to enable all members to express their views and be recorded.

We do have a large system and we serve practically all the contiguous States. We would be concerned about the 12-month time limit on implementing route changes if the route structure being sufficient, if the system is so changed that certain of the runs would present physical problems that would make it unfeasible to start up in 12 months.

If it is a 30-mile-an-hour railroad—well, you should be running at 80. Also, we may not have the equipment. There should be some flexibility there. But we would try to implement anything this process

comes up with as quickly as possible. At this point I have no specific comments on sections 4 to 9 of S. 2478. They appear to me, personally, to be constructive intent.

I have not had an opportunity to have a dialog with my Board of Directors on this, and I have no specific direction from them.

The Board has agreed, in consensus form, to allow me to work with you and the other committees, with the Department of Transportation—Mr. Sullivan—to try to come up with the best solution for all of us that we can, and there will be a meeting of the appropriate Amtrak board committee this coming month.

Mr. Chairman, going on now to page 19, we are making some timetable changes in April. We hope, as we always do that these are responsive to the requirements of the public.

Out West, one of the most significant is changing the schedule of the Chicago-Seattle trains through the Twin Cities so they run in more convenient hours through the cities that show the most interest; also—particularly in the summertime so they serve all the points of beauty—Glacier National Park, for instance—during daylight hours. That is a significant change, and we feel if we understand Congress correctly, there is a sort of general “freeze” on Amtrak operations, and we don’t want to make such a change without your full knowledge. And also the opportunity to tell us, “Don’t do it.”

But I think this is constructive.

We have further adjustments in the Northeast corridor. I have in attachment C to my statement, a summary of these. We are still coordinating with the States and local commuters. We run 128 trains. There are 700 commuter trains. There are probably 100 freight trains every day that run up and down the corridor—a total of about 900. It is complex to schedule and we have—Amtrak is basically intercity, but we handle some commuters who go one-way with us and back on a commuter train—and we have to work with these local authorities to come up with a schedule.

Basically, what we are trying to do is fill two gaps that are significant. We don’t have a standard train, at normal rates, from New York to Washington between 2:45 p.m. and 5 p.m. There is nothing in there. It is a very heavy period. So everyone is forced on the Metroliners at 3:30 and 4:30, and we don’t have the room. So we are proposing to add a 4 o’clock train and an 8:10 a.m. train out of here going in the opposite direction.

There would be weekend trains, Friday-Sunday trains, on the New York-Boston end that would cease to operate, but we would spread the timetable so instead of leaving at 4, 6, and 7, being late for Boston, we would leave at 4, 5:20, and 7, and fill the gap and spread the cars appropriately.

We would be glad to work with your staff, and any input they might give us we would appreciate. All the interested congressional people along the line are being contacted as best we can.

I would like to close by stating that I have been here a little over 3 years March 1. We had a real time last year. I am speaking of the winter of 1976-77. It was a lot colder than this one, of course, and with a locomotive problem; half of our fleet developed an inclination to derail when it reached about a 5-year age. We really had a tenuous operation and had to arbitrarily discontinue certain runs for a period of time.

This year I am proud, and proud of the employees out there running Amtrak, because when the chips are down we are all that runs. That was true in Boston. We were asked to take food to people. We picked up stranded motorists; did whatever the police asked us. We ended up with 400 people staying in the Providence Station because we were getting them there and they couldn't get away from the station.

We were asked to bring them food. It is the people out there, the troops in the field, like the Army, the sergeants running it, that are doing the job. They are doing what I asked them to do. I am really pleased with this winter's operation. We only had an interruption during the terrible blizzard in late January in Indiana and Ohio when everything was shut down. Even with double snow in Chicago, we have done a good job and we are handling millions of people, and I think doing a much better job of it.

Mr. Brazier and I now will try to answer all your questions.

Senator DANFORTH. Mr. Chairman, I am sorry I have to leave at this point. There are some questions which I would like to ask Mr. Reistrup for the record. I would like to have permission to submit some written questions for the record.

(The questions and answers follow:)

QUESTIONS OF SENATOR DANFORTH AND THE ANSWERS THERETO

Senator DANFORTH. On February 27, 1978, Union Center Venture in St. Louis made Amtrak an offer to settle the ongoing litigation by selling the R.E.A. site for the St. Louis Amtrak station for \$1.75 million. Has Amtrak placed a value on the site? Has the Board met since the offer by Union Center Venture? If so, what action was taken? If not, has Amtrak management prepared a recommendation for the Board's review? When the litigation is settled, how long will it take for occupation, renovation, and operation? Is a diligent and good faith effort underway to bring this dispute to a fair conclusion as soon as possible?

ANSWER. On February 27, 1978, Union Center Venture did make Amtrak an offer to settle the ongoing litigation by selling the REA site for the St. Louis Amtrak station for \$1.75 million. An independent appraiser, selected by Amtrak and concurred in by UCV at a meeting on April 14, 1977, appraised the property at \$636,000. On March 1, 1978, Amtrak requested that UCV provide substantiation for its demand for compensation in excess of the \$636,000 appraised value of the property. Since Amtrak management considered the UCV offer of \$1.75 million to be unacceptable in view of the prior appraisal, no recommendations were submitted to Amtrak's Board for review.

Amtrak believes it has made more than a good faith effort to resolve this matter with Union Center Venture, having offered to purchase the property at the appraised value as well as to reimburse UCV for work performed on the REA station project that could be used by Amtrak in its own construction effort. Moreover, Amtrak has deposited with the United States District Court funds sufficient to compensate UCV for the appraised value of the property that Amtrak seeks to condemn.

It was because a diligent and good faith effort by Amtrak did not result in an agreement with UCV that Amtrak exercised its statutory right to condemn the site. The delay caused by the controversy is a disservice to our passengers, subjecting them to further prolonged use of the present deteriorating, substandard station building. While we expressed willingness to consider alternative independent appraisers, the value of the property should now be settled in Court after Amtrak has taken possession and construction is underway. Accordingly, no further management recommendation is currently pending before the Amtrak Board.

Amtrak estimates that it can relocate into temporary facilities within six months after it is able to begin construction on the REA site. Construction of a permanent facility is estimated to take approximately one year.

Senator DANFORTH. Has Amtrak explored the potential of a short haul route between Kansas City and St. Louis? I feel that, although on a smaller scale, it

might attract the same business cross section of passengers that you now have on the Washington, D.C.-New York route. Please describe in detail what steps on this potential run that you have taken.

ANSWER. Between New York and Washington, Metroliner service frequently provides a total trip time faster than that possible by automobile or air and this especially applies to travel to or from the large intermediate cities. It is this unique characteristic that makes the Metroliner route so attractive to business passengers. Under any reasonable capital improvement and operating cost assumptions, it is our conclusion that it would be impossible to provide such speeds between Kansas City and St. Louis. Furthermore, even if Metroliner speeds could be achieved, the significantly lower population served would yield a much lower patronage and revenue potential. According to Amtrak's Five Year Corporate Plan for fiscal year 1978 through 1982, the Kansas City-St. Louis route has not been initially identified as an "emerging corridor." Marketing and scheduling focus on this route therefore continues to be oriented to the types of travelers we are already attracting, which includes some, but minor, amounts of business patronage. That is to say, we hope to build growth on the marketing base we already know we can attract.

Senator DANFORTH. Last November, Amtrak announced that the Southwest Limited was being studied by Amtrak for possible termination. What action has been taken on the study?

ANSWER. In November, the route of the Southwest Limited was under review in accordance with the congressionally approved "Criteria and Procedures for Making Route and Service Changes". As the assignment was given to the Department of Transportation to restudy Amtrak's total route structure, Amtrak has stopped all actions under the route and service criteria. Amtrak has meanwhile been instructed to maintain all service in essentially the same patterns and amounts, including the Southwest Limited service, until conclusion of the DOT study. Results of Amtrak's analyses have been given to DOT to assist their review.

Senator DANFORTH. On October 10, 1977, it was announced by Amtrak in the "5-Year Plan" that a "priority" growth area for attracting ridership would be to extend the National Limited (New York City-Kansas City) to Denver, Colorado. Less than one month later, while Amtrak was having difficulty increasing its FY 1978 Supplemental Appropriations, Amtrak announced that in order to reduce operating losses, the National Limited was a prime target above most routes for termination. How can Amtrak rationalize these two positions in such a short time span? This scenario could also be said for the Lone Star Route (Chicago to Houston via Kansas City). What are your comments on this apparent conflict in route support? I would also want your comments on the Southwest Limited and the Inter-American routes.

ANSWER. While Amtrak's Five Year Corporate Plan showed the extension of the National Limited to Denver as a high potential route in terms of ridership and revenues, it did not take into account the costs of the extended operation. These would also have been high, and the extended operation would have required funding at just about the same level as the present National Limited service. Given full funding for FY 78, we believe we would have been able to add this service at no appreciable increase in the overall deficit.

The appropriations report, however, directed us to apply the route and service criteria in order to reduce Amtrak's deficit, a requirement that precluded us from implementing even a breakeven increase in service. In order to reduce the deficit, the National Limited was studied for restructuring or possible discontinuance because its loss overall and per passenger mile was among the highest in the system. Analysis showed that extending the National Limited to Denver would not lower its deficit as much as other actions would have such as combining it with the Broadway Limited over parts of its route.

In the route and service criteria process we also looked at the other trains mentioned: the Lone Star, the Inter-American, and the Southwest Limited. The Chicago-Texas services were examined simultaneously to determine whether a regional solution could be found for the deficit of the Inter-American, identified as one of the highest both overall and per passenger mile. This required us to also examine the Lone Star, and take this service through the procedural requirements of the criteria process.

Similarly, the Southwest Limited, a strong performer, was examined in conjunction with the San Francisco Zephyr, a service with higher deficits, to see whether a regional solution such as joint operation over a point of the route could result in an important reduction in the deficit.

Senator DANFORTH. In reference to the National Limited, Southwest Limited, Lone Star and Inter-American has Amtrak exhausted the realm of new and innovative marketing techniques and advertising methods to try and save these trains and increase ridership? Please describe in detail the steps that Amtrak has taken (marketing, advertising, new equipment, etc.) to maximize efficiency and ridership potential on these routes.

Marketing; advertising and promotion

ANSWER. In 1977, Amtrak invested \$10 million in advertising nationally. This represents approximately 4.5 percent of passenger carrier advertising, which includes air and bus, but excludes the heavy spending of the auto industry.

Hub/Feeder Concept: In order to achieve results immediately and efficiently with the financial resources available, Amtrak established a list of markets where it would concentrate its spending and where the investment of advertising dollars could be expected to bring the highest return.

The five largest potential markets—New York, Chicago, Philadelphia, Washington, D.C., and Los Angeles—have been designated as “hub markets”. These markets also have the most frequent Amtrak service, the best historical revenue performance and provide access to the entire Amtrak system.

Each of the four routes specified in the question has at least one of these cities as an endpoint. Consequently, each of these routes receives constant advertising through the mediums of television, newspaper and radio as part of our hub-market advertising campaigns.

The next 28 markets in order of potential are called “feeder markets”. They have sizeable populations, good historical revenue performance, reasonable train service and feed passengers to the hubs.

St. Louis, Kansas City, Albuquerque, Houston are all major feeder markets on these four routes, and receive feeder-market advertising.

Nationally, the combined hub and feeder markets generate 76 percent of Amtrak's revenue. The hubs and feeders receive top priority for Amtrak advertising since they offer the best opportunity for substantial ridership and revenue development.

National Limited

Both St. Louis and Kansas City represent important feeder markets and continuously receive advertising support in all media. As such, any national campaign, including USA Rail Pass, is promoted in these markets via network TV, spot TV, national magazines such as “TV Guide”, “Reader's Digest”, “Ebony”, and local newspapers such as the St. Louis “Globe Democrat”, “Post Dispatch”, and Kansas City “Star”, “Times” and “Call”.

In FY 78, these two feeders are receiving a total of 27 weeks of spot TV advertising with an average of 10 spots per week in St. Louis and 5 in Kansas City. (The allocation of the number of TV spots to be scheduled is primarily determined by the population, percentage of total system revenue and frequency of train service in the market.)

Special-fare advertisements featuring excursion fares to major destinations receive continuous newspaper support in St. Louis and Kansas City.

Jefferson City, a market on the National Limited route, also receives continuous print support for fare advertising.

Additionally, in order to encourage ridership to St. Louis and Kansas City as a destination, these cities are featured in the fares ads appearing in other hub and feeder markets such as New York, Washington, D.C., Philadelphia, Chicago, Cleveland, Milwaukee, Harrisburg, as well as other National Limited markets.

The National Limited has been supported through improved schedule advertising; anti-automobile campaigns; fare promotions; and the USA Rail Pass reduced-price campaign.

Inter-American

Amtrak is continuously developing and implementing new and innovative marketing techniques and advertising methods to increase ridership and revenue.

As part of this effort, Amtrak has incorporated a “coupon technique” into its marketing strategy—probably a first in transportation history. To promote ridership on the Inter-American route between Chicago and St. Louis, newspaper advertising offered a 25 percent discount coupon for passengers on the route.

St. Louis papers carried these advertisements, and all other markets including Chicago received advertising with bold headlines featuring St. Louis as a destination; i.e., “Tear Off For St. Louis”.

In June 1977, Amtrak instituted "Night Owl Excursion Coach Fare" advertising to promote the special fare available in markets with poor (overnight) schedules. The fare offered a round-trip for only \$1 more than the regular one-way fare.

Southwest Limited

The USA Rail Pass program has been consistently supported on this route via spot TV and newspapers during the first and second quarters of FY 78. Additionally, fares advertising was used in the following markets: Chicago and Los Angeles had special coupon promotions in newspapers offering passengers a 25 percent discount with the coupon on the routes Los Angeles to San Diego, and Chicago to Detroit.

Additionally the cities of Albuquerque, Gallup, Lamy, Las Vegas and Raton received spot TV as well as spot radio advertising.

A market development analysis revealed that during period of November 1976 to March 1977 Albuquerque ranked among the top 30 markets in the country for Rail Pass sales.

Lone Star

The Lone Star route has been receiving continuous advertising both on spot TV and newspapers for the USA Rail Pass in FY 78 and additional fares advertising in newspapers.

The following cities on this route received newspaper advertising in June 1977 to promote the special fare available in poor schedule markets: Emporia, Newton, Lawrence, and Topeka. The fare offered a round-trip for only \$1 more than the regular one-way fare.

"Free Kiddy ride"

Amtrak's research showed in June 1976 that only 7 percent of system riders were under 18. While offering a family plan as well as half-fare for children 2 to 11, families with children often find it more economical to use their own car for intercity trips. As a result, a generation has grown up that does not know train travel. Amtrak's Free Kiddy Ride test promotion provided free trips for children under 12 when accompanied by an adult paying the full fare.

The Free Kiddy Ride offer was featured in a large coupon ad and carried in newspapers in nine geographically scattered test markets. (Three of the nine test markets were Dallas, Fort Worth and Houston, which are major cities on the Lone Star route.)

From May 31, 1977, to August 30, 1977, the Kiddy Ride attracted 13,448 passengers and \$267,000 in revenue in the test cities. The promotion achieved very positive acceptance since 81 percent indicated in follow-up research that they would take advantage of the Free Kiddy Ride if the offer was repeated. Multiple fares were achieved, as 2.8 riders per ticket were developed. The average revenue per Kiddy Ride was \$63.48, or more than triple the average Amtrak system ticket.

Based on these test results, Kellogg's distributed 64 million cereal boxes with this Amtrak offer nationally in January 1978. As of the end of February, traditionally a low travel period due to winter weather, this campaign has produced \$358,000 in revenue. At the conclusion of the promotion in January 1979, the projected incremental revenue is \$6 million to \$7 million.

"Sure beats driving"

Each summer period, Americans take to the highways for vacations and personal travel. Automobiles account for 87 percent of intercity trips of 100 miles or more. Amtrak accounts for 1 percent of such travel. With a limited seasonal budget of \$530,000, the primary consideration was to competitively position Amtrak against the private automobile by showing the hassles and dangers of the highways in contrast to the comfort, convenience and low cost of Amtrak, and, secondly, to point out that Amtrak provides fuel and energy savings.

The "Sure Beats Driving" campaign ran for three weeks in June 1977 in Amtrak's top 27 markets using television and newspapers to influence potential vacationers' travel plans for June, July and August.

Amtrak ridership for June-August 1977 achieved a gain of 161,000 passengers vs. 1976.

Marketing: Sales department

Numerous familiarization trips aboard these four trains have been conducted for travel agency groups, to ensure their direct exposure to the service, cities, and resorts, which enables them to better serve their clients and sell Amtrak transportation.

Many tour packages involving travel over these routes are actively promoted. The actual number of national and regional tours associated with each route are as follows: National Limited, 19; Southwest Limited, 16; Lone Star, 5, and Inter-American, 5. These tour packages offer various selections covering cities, resort areas, and sightseeing along the routes. Tours are from three days to twenty-five days in length. Additionally, special efforts have been made to solicit group and individual travel for special events over these routes, such as Boy Scouts to various camps, traffic to ski resorts, and military traffic. Sales promotion efforts continue to be extensive for these routes. (A copy of Amtrak's National Tour Book has been supplied for the Committee files.)

Equipment

National Limited.—The National Limited will continue to use conventional equipment: However, in addition to the diners presently in service Amtrak is attempting to also add lounge cars to these trains for summer passenger travel.

Southwest Limited.—This service will continue to operate this year with the ex-Santa Fe high-level equipment. These trains are scheduled for the new bi-level Superliner equipment (including coaches, diner, lounge-car, sleepers) when we receive these new cars in sufficient numbers. This route would be the fourth to be equipped with the new bi-level equipment.

Lone-Star.—Displaced high-level equipment from Superliner-equipped trains is to be assigned to the Lone Star service. The high-level equipment is the best of the conventional equipment we now have. The equipment assignment should greatly enhance the attractiveness of these trains.

Inter-American.—This service is currently equipped with Amfleet cars, including an Amdinette, and is scheduled to receive sleeper service in June 1978.

SENATOR DANFORTH. Isolating the Northeast Corridor, what is the projected ridership as a result of the \$1.6 billion Northeast Corridor project? What has been the yearly increase in ridership on the Corridor?

ANSWER. As a result of the Northeast Corridor Improvement Project, ridership in the corridor should reach 14.7 million passengers in 1982, after the project is completed.

In 1976 10.2 million passengers were carried in the Northeast Corridor. In 1976 this amount increased to 10.6 million, an increase of 3.1 percent. However, ridership on Metroliners was down by 9 percent, due primarily to reductions in car availability.

The Metroliner cars are presently entering an extensive overhaul program, during which time car availability will continue to be reduced. It will be very difficult, if not impossible, to sustain any appreciable ridership growth in the corridor during this period, but this work is essential to permit future growth.

SENATOR LONG. Your testimony concerned the progress of Amtrak on car maintenance. The GAO has reported that Amtrak has large amounts of funds attributable to car maintenance, \$148 million in 1978 alone. Might this not be a productive area in which to tighten up?

MR. REISTRUP. We have recognized that GAO is absolutely correct. I think we made some progress in recent times.

First, we have to remember that much of the fleet is aging. Our baby sleeper, the youngest one, is—well, 1956 was when it was built.

So we are running a fleet that is relatively difficult to maintain. But it will run. We, together with FRA, entered into a joint study, jointly funded, using Peat, Marwick, Mitchell & Co., who has a good bit of experience in the railroad business. I am actually at this moment going through the report myself. It is about that thick. It has a lot of good meat in it. We will implement every bit of it that is practical.

We also will implement everything that GAO comes up with that is practical. I think there is room for economy here. In the meantime, we are trying to use our newest cars very heavily, very intensively, so roughly 3 out of 4 passengers now ride in new cars. We use the old ones for the rushes, Christmas holidays, and so forth.

I think that there definitely is room for improvement here. I would rather give you an estimate of what the cost savings would be after we finish this review—and also to have Mr. Sullivan's participation in that.

Senator LONG. I want to ask you the same question I asked the previous witness:

Is Amtrak an efficient operation?

Mr. REISTRUP. I would really like to think that we are perfect. However, if that is the case, then I ought to be——

Senator LONG. If you say that you will lose your credibility.

Mr. REISTRUP. Given our situation——

Senator LONG. Hold on a minute. You mean given the facts that we have—are you an efficient operation?

Mr. REISTRUP. I say yes. GAO will say yes.

I know what you are driving at. When I have a contract with somebody or a commitment, I live up to it. I want to explain something. The railroad labor does not work for Amtrak that runs the trains. They work for the railroads. It is a difficult situation for me. I recognize it. We have to get the railroads to try to negotiate with the unions to bring about improvements. There are opportunities. Right at this time there is a negotiation on between the railroads and railway labor, and crews are an issue.

I pointed out that Amtrak does not have these contracts directly. I think that for me to say anything more today would, in effect, possibly undermine the efforts of railway labor and the unions to achieve something.

I am not one to dodge a question. If they worked for me, the railway labor directly, I would tell you the same thing. When you are in labor negotiations, you ought to let the negotiators try to thrash it out.

Mr. Snyder will testify today. I think both sides would agree there is room for improvement. We have made some, by the way.

Senator LONG. Let me put it this way:

If you have to have 10 people on a train in order to bring 5 people down from New York, is that an efficient operation? Ten highly paid people, I might add.

Mr. REISTRUP. I would like to find out what train that was.

Senator LONG. The one I met.

Mr. REISTRUP. I have never seen one from New York. Our average Metroliner averages 139 passengers per train-mile. That means on a 226-mile trip, anywhere along the line there are an average of 139 people on it.

Now, the first one coming out of New York at 6:30 a.m. starts with about 60 people. It ends up here full: 250 people. Vice versa. Sometimes we have midday trains that are heavy from here to Philadelphia, but go into New York at 1 o'clock—I was on one the other day—with maybe 100 people. I have never seen a train in the Northeast corridor with 10 people on it. And I am on all of them.

Senator LONG. The one I had in mind broke down on the way down here, anyway.

Mr. REISTRUP. They probably partially unloaded. If I knew which one it was, I would tell you. We have trains that have the crew outnumber the passengers on occasion. We have the union rules—Mr. Sullivan was right. The crew consist of four is generally the minimum. Each Metroliner has only one man running it, however, just an engineer. But there is a conductor and two trainmen. They also collect tickets. One of them has the dual role of being the flagman. He collects tickets.

We generally have a minimum of one food service person on the train. That would be the absolute minimum. The train I rode yesterday had that. One person serving food, and a crew of four. We had, as I pointed out, we went into New York with about 100.

Senator LONG. One of your more heavily traveled routes or least traveled?

Mr. REISTRUP. There is a relatively lighter Metroliner. Considerably below average. The train I came down on yesterday morning, in the opposite direction, had 137 out of New York, and this is a long-distance train. It is one of those that is at issue.

There is the Montreal-Washington train. I think that is pretty heavy. Now that had a much bigger crew. I will estimate that at being probably about 15 crew members and—maybe 18.

Senator LONG. What if you ran the same number of people down here on the bus, three drivers and about three buses, wouldn't you?

Mr. REISTRUP. That is true. If they ride the bus.

Senator LONG. A lot of them could ride the bus.

Mr. REISTRUP. About 10 percent will, our studies show; perhaps 13 percent would ride the bus.

Senator LONG. If you brought them down here on a plane, two planes could have brought them.

Mr. REISTRUP. One 737, but it won't serve White River Junction.

Senator LONG. But the bus would. They would ride the bus if they had no choice.

Mr. REISTRUP. Ten percent, yes, sir.

Senator LONG. You are talking about this Southern application by Amtrak to take it over. The Board said it didn't want to take Southern over—I mean take Southern over.

Frankly, the Board just may be right about that.

I will make you a fair proposition. I will no longer ask you to take over Southern. I will withdraw that request right now on one condition: that every train you operate that has no better profit—that is, no worse loss ratio than Southern—will also be discontinued.

Is that a fair proposition? That is the rule I am required to live by. No hard feelings at all. I will be glad to. Is that fair?

Mr. REISTRUP. For me, personally, I think that is very reasonable. That train is average. That is not my decision; I am pushed. I push, as did the Secretary's office, for the full use of the route and service criteria which brought about the proposed elimination of the Floridian.

I thought we ought to try it, test the waters and see if we could improve ourselves. In fact, as some of my Board members thought, I was too pushy in proceeding that way. We actually did vote at the board to suspend. My recommendation was—was that unanimous? It was very heavily in favor of suspension. We in effect were directed by Congress and the House of Representatives in the supplemental appropriations conference dialog to restore that train. It was scheduled to come off January 19. Now, the Southern Railway train—there is someone in the audience, Mr. Tapley, vice president, and one of their counsel, who has a statement I would ask be included in the record.

That train is average. It is about like our Cleveland train or the Lone Star that goes through Oklahoma City. I don't think this operation is one that should be treated lightly. It does handle about 150 people per train-mile between here and Atlanta. The north end is fairly heavy.

Senator LONG. About 144 people get off at New Orleans. But it seems to me that we ought to quit imposing unjustified and inefficient operations on the taxpayer, and cease insisting on continuing an inefficient operation.

Now, you say that the Amtrak operation is efficient. I take it from your answer that given the circumstances the railroad is efficient. As to where we are getting the big loss, I am saying it is a great big money loser and inefficient. The public would be better off, all things considered, if you took the people riding that train and put them on buses. The buses are making money.

Mr. REISTRUP. If you would scrutinize the figures, the buses are losing money on passengers. They are hauling a lot of freight.

Senator LONG. They are making a profit. When they leave one place and go to another, they make a profit. If you took the passengers off, I assume the freight operation would be losing. It is all according to how you allocate the cost.

But if you would—on the whole, they are not making much, but they are making a profit.

Mr. REISTRUP. Overall, the railroads are making money. Not much, but they are, overall, including freight.

Senator LONG. Overall, they are making some money, but if you discontinued the Amtrak, would they make more or less money.

Mr. REISTRUP. I would say they would make more money, yes. I don't think we cover our full cost to the railroads. We hope we come close to it.

Senator LONG. So it seems to me—Southern, you say, is about the average type Amtrak operation. You don't want to take it over. I don't blame you. You are probably right. It sort of bothers me. There was a dear friend of mine in college who fought for years to keep them from discontinuing a passenger train which nobody would ride—about five or six passengers got off at New Orleans. He fought bitterly and devoted much of his life to keeping them from discontinuing that old train that nobody would ride. But at the same time they didn't want it discontinued. It reminds me of that old dog in the barnyard who wouldn't eat the food they would lay before him. He would turn up his nose and walk away and wouldn't touch it. Yet let one of those chickens peck at that food and the dog would tear them up. He wasn't going to have any chicken pecking his food.

It seems to me that if you can't make any money, if you just lose operating it, you are required to operate with 10 people when sometimes you don't have 10 passengers aboard and those buses stopping at 10 communities for every one the trains are able to serve, why don't we just discontinue the less efficient Amtrak operations and concentrate your equipment on those that are more efficient, that will have a better chance of surviving and rendering a decent service without a burden to taxpayers?

Mr. REISTRUP. I hope that that will be the result of this zero-based study. The quicker we can get on with it, the better.

I personally believe in intermodalism. I worked in piggyback in the railroad freight business. I hope there will be rail passenger service in this country for my lifetime. There will always be traffic. But we should feed by bus.

For example, we don't have a good coordination from Allentown to the corridor. It is very difficult because there has to be a good atti-

tude. We have tried. Maybe we haven't done as well as we can. I used to work with the truckers, and yet we also competed.

One of the biggest competitors was the heaviest user of piggyback of the truck lines—Gordon's Transportation.

So you worked together, but it is attitude. Those people and we had a good attitude. We have to, some way—maybe you can help us—work together, with these big bus companies. We work much better with the little ones. They are hungrier and—but we have to work together.

Until we do, we are not an alternative to the automobile. We serve about 500 cities, but we serve 90 percent of the population. The buses serve many, many more: 15,000 communities, but many of those are of lesser population.

The feeding is terrific. Personally, I ride the bus. But about 3 hours is all I can take. The tolerance on a train for many persons is about 5 hours, our studies show.

And there aren't all that many people who go farther. Our average haul of a person is 270 miles. They are not riding all the way from Chicago to Los Angeles; that is 2,200 miles. It takes 44 hours. But they will fly, particularly with these new cheap fares. But we are handling the intermediates. We stop at places like Sparks, Nev. You don't have much other service there. The buses do, of course, but I feel this ought to be a feed-in network. We might come up with it, but it takes a good attitude.

Senator LONG. Let me ask you if it makes sense to you that we should discontinue some of this least justified, most expensive, biggest money-losing service and keep discontinuing it on down until we get down to where we are left with something that seems to give the taxpayer a reasonable run for his money for what he is subsidizing.

Mr. REISTRUP. Personally, I think we should move in that direction. That is what we were trying to do under the route criteria, one at a time, and got stopped. I would suggest that the Nation had best determine the energy posture.

We can handle 1,000 people where there is that demand, for not much more energy than 100. We will run what you say. But I personally think there should be a leveling up.

We had hoped under the route criteria to get rid of the worst train and maybe use that money to get a better one, and get more effective. We figured we could actually begin to lower the deficit in 5 years. But we were stopped.

Senator LONG. Thank you very much.

[The statement follows:]

STATEMENT OF PAUL H. REISTRUP, PRESIDENT, NATIONAL RAILROAD PASSENGER CORPORATION (Amtrak)

Mr. Chairman, Members of the Committee: We appreciate being here today to present Amtrak's current status and legislative requests for fiscal year 1979 authorizations, and to respond to the questions that may arise during the presentation of our prepared material or during the questioning that will follow. This written statement will also follow and expand upon the questions raised in your letter to me, Chairman Long, dated February 21, which advised us of this hearing and a number of matters of particular concern to this committee.

The appropriations needed to continue our present level of train service through FY 1979, which will begin October 1, will of course require authorization by this committee and by the Congress as a whole. In addition, some substantive changes have been proposed for our basic statute. The Rail Passenger Service Act, and a

number of these are embodied in the legislation being considered by the committee today; S. 2478. The amounts we are requesting to be authorized for FY 1979, which are for operating needs as well as capital improvements, follow Amtrak's official request for funding as presented in our current Five Year Corporate Plan, which was presented to the Congress and the Administration in October. I have been specifically authorized by the Amtrak Board of Directors to seek the funding specified in the plan, and my testimony here today will proceed accordingly.

The amount requested for operations is based on the assumption that Amtrak will continue to operate all routes and basically the same services to the public that we are operating today. That is, train-miles operated will remain about the same. This operating requirement for the fiscal year is \$613 million. This figure includes estimated inflation and is based on our estimated funding requirement for all of Fiscal Year 1978, including the additional operating funds requirement resulting from Amtrak's takeover and operation of the Northeast Corridor between Washington and Boston, and which also assumes that essentially all present services now operating will continue throughout the *present* fiscal year. Parenthetically, I think I should add at this point that Amtrak will require an additional supplemental appropriation to continue present services through the current fiscal year (FY 1978), as we have been instructed to by Congress, although no additional authorization is needed for additional FY 78 funding.

Amtrak's request for capital-improvement funding in FY 79 is \$341.4 million. This includes funding for rolling stock (cars and locomotives), maintenance facilities, stations and other facilities, and right-of-way work. I also note that S. 2478 would also authorize another \$25 million grant to be applied toward reduction of our guaranteed-loan indebtedness, which will save interest expenses, and which we also strongly support.

We very much support the changes that would be made under Section 3 of S. 2478. The Criteria and Procedures for Making Route and Service Decisions were neither designed nor intended for making revisions to the Amtrak basic system as an integrated, national whole. They were designed to analyze and improve single routes or groups of routes, and to provide an objective basis for measuring route performance vis-a-vis other routes in determining priorities for changes.

A systemwide review was proposed by Amtrak in our most recent five-year plan, and we are pleased that the process is already underway. Section 3 of the bill before you would clarify the task with more precision, and—most importantly, in my view—it would also require essential public participation before any revised route system is made final.

I would offer at this point the following suggestions. I am not sure that Section 3 provides sufficient time for all the participants to do what really amounts to an enormous job properly and with the necessary precision of detail. One of the problems facing the Secretary of Transportation and the original "Railpx" Board of Incorporators back in 1971 was the very tight deadline in getting a national system up and operating. It is one thing to draw lines on maps and another thing to know what is exactly available out on the ground in terms of track conditions, stations, platforms and other facilities, and the possible need for new construction or upgrading of the physical plant, such as the construction of strategically placed passing sidings, connecting tracks or crossovers, or signalling changes.

The bill as drafted does extend the time available to the Secretary for submission of his preliminary report to May 1, 1978. This may be sufficient, and it is certainly an improvement over the original March 1 date, but I suspect we will get a better preliminary report if the department can be given a little more time.

It seems to me that the four months allotted for the public hearings to be held by the Rail Service Planning Office would probably be sufficient, but at the conclusion of the hearing phase I think it could be helpful if the RSPO was directed to formulate and transmit to the Secretary its *own* list of recommendations or amendments to the preliminary plan, rather than just providing a summarizing service for the Secretary on the public input received.

If this suggestion is adopted, then one month for the RSPO to develop its submission to the department may be insufficient. Here, too, we need to be sure that the best possible input is provided.

Subsection 406(d) of the proposed amendment in Section 3 of the bill requires the Secretary to include, in his final recommendations, a summary of the significant recommendations received from the RSPO, together with the reasons for adopting or not adopting such recommendations. If the suggestion made here—that RSPO also make its own recommendations—then perhaps this language should be clarified to require substantive comment in the Secretary's final

report on the RSPO recommendations as well as on the significant public comments forwarded to the department by the RSPO.

The net effect, of course, of any extension of deadlines before services can be changed is that the funding requirement for continuing the present Amtrak operations will continue unchanged for a somewhat longer period. This may or may not result in some added federal expense, but one major mistake in changing a route, or in a last-minute addition of a route or service, could easily result in an increased funding requirement on a scale larger than that required to keep the present system operating a few months longer. We have all seen this sort of thing happen too often in government.

Although S. 2478 provides a streamlined procedure for approval of a new national Amtrak route structure, sometimes called the congressional-veto process, which would "enact" of the Secretary's final, plan, such a procedure does not permit the Congress to make any modifications to the Secretary's plan short of an outright disapproval of the whole package. The danger is not that the plan may prove to be so far-reaching or radical in its proposals that it is unacceptable to the public at large. If such a plan were to be submitted, it is likely that Congress would vote disapproval. The real danger is that a plan may be submitted that is basically a good plan but one upon which Congress could improve. We at Amtrak are not expert in the best legislative procedures to be employed, but as a citizen I would be concerned that my own Congressman or Senator could possibly be denied an opportunity to vote on a service change that affected me directly. Perhaps a requirement could be added to require that a resolution to approve or disapprove be brought to the floor of both Houses to enable all members to express their views and be recorded.

Once a redesigned national system plan has been approved for implementation, the 12 months allowed for Amtrak to make the necessary route and facilities changes should be sufficient. However, I think it would be only prudent to provide some legal mechanism to extend the 12-month deadline in situations where, through no fault of our own, we do not have sufficient equipment to start a service properly, or, perhaps because of bad weather, a necessary fixed facility could not be completed in time. Perhaps this sort of contingency could be handled in the legislative history, or by a minor change in the language of the act, but I would not like to see myself in the position of being unavoidably in technical violation of the law. We will make every possible effort to convert to the new route structure as early as possible and in most cases it should not take a full year.

At this point, we have no detailed comments to offer on Sections 4, 5, 6, 7, 8, and 9 of S. 2478, except that I would like to say that they appear to me to be most constructive in intent. The Amtrak Board of Directors has not yet had an opportunity to examine this proposed legislation in detail, but they have been advised on the general provisions and intent as we understand them, and as President of the National Railroad Passenger Corporation and an ex-officio board member I am authorized to continue to work cooperatively with the Congress and this Committee in the development of the legislation we are discussing today.

Mr. Chairman, in your letter of February 21 you have requested comment on a number of other subjects not directly addressed in S. 2478, pertaining to Amtrak's coordination with the Department of Defense on war-preparedness planning; problems associated with the repair and maintenance of rolling stock; criticism of Amtrak's early incentive contracts with some of our operating railroads; our experience in applying the route and service criteria, and information on routes that have been added to the Amtrak system since its inception in 1971, including experimental routes. The balance of my written statement will address these subjects in the order listed in your letter.

DEFENSE COORDINATION

Beginning on September 20, 1972, and periodically since that date, Amtrak has reviewed with the Department of Defense the requirement for rail passenger service in support of a national emergency involving this nation in war. Current contingency plans are predicated on the movement of troops their bases in the continental United States (CONUS) directly to overseas theaters and do not involve a specific requirement for a rail passenger capability. However, defense planners believe that rail passenger service will be required to move mobilized Reserve and National Guard units from their home stations to mobilization sites to reconstitute to CONUS forces.

Amtrak has on its staff an experienced Defense Department transportation planner who is a member of the National Defense Transportation Preparedness Council and the Defense Advisory Council. All of Amtrak's technical and pro-

professional resources are available, as needed, to supplement the council members' participation in these activities.

The Preparedness Council works with the Defense Civil Preparedness Agency, an agency of the Department of Defense, and with the Office of Emergency Transportation, Department of Transportation, in providing planning assistance to the state and local governments in their development of natural-disaster preparedness plans and capabilities.

The Defense Advisory Council provides the principal channel between the Defense Department and the transportation industry for the study of transportation subjects helpful to the Department of Defense.

Additionally, the Amtrak planner is an active member of the Department of Defense "Strategic Rail Corridor Network (STRACNET) Committee". This Committee, in cooperation with the Federal Railroad Administration, identifies rail corridor routes needed to satisfy defense needs.

REPAIR AND MAINTENANCE OF ROLLING STOCK

Intensive use within Amtrak was made of the June 1976 General Accounting Office report cited in your letter, Mr. Chairman, and we were in agreement with many of the findings. In most cases, corrective measures were already underway while the GAO study was in progress. We have been pursuing this subject with an eye to making further changes in management procedures, goals and programs.

Amtrak has just received a detailed report developed jointly with Peat, Marwick, & Mitchell entitled "A Study to Develop an Intercity Passenger Car Maintenance and Utilization Program". A summary of this study is now being prepared and a copy can be made available for the hearing record, if the Committee wishes. Alternatively, a copy of the full study, which is quite voluminous, could be supplied for the Committee files. We are presently reviewing the findings, and we are going to implement the recommendations on an "if possible and as soon as possible basis".

Meanwhile, however, we feel we have made considerable progress in the 20 months since the GAO report was issued. Included as a part of this formal statement at Attachment A is a detailed account of what has already been accomplished. A word should be said here, however, on the matter of Amtrak's prior dissatisfaction with "indifference on the part of railroad management toward compliance with maintenance agreements", as your letter notes. We would like to go on record at this time that since 1976 Amtrak has received much better cooperation and effective maintenance performance from the railroads.

Amtrak's chief maintenance officer has reported to me just this week that this general improvement in railroad cooperation "has been manifested in many areas, including the railroads' participation and high rate of completion in our periodic (scheduled) maintenance program, and in the good availability and performance of locomotives".

Amtrak's original contracts with the operating railroads, negotiated by the Board of Incorporators under tight deadline pressure, gave Amtrak rights for train operations and scheduling flexibility and confined costs to those incurred incrementally (or avoidable) to the railroads. One deficiency, which became increasingly evident during our first several years of operation, was that we had no contractual mechanism to guarantee or promote efficient operations—particularly for on-time performance but also including proper maintenance and preparation of each train before each run.

Amtrak's first president, Roger Lewis, interpreted the problem as the lack of a normal business relationship between a "prime contractor", which was Amtrak's role, and a number of "subcontractors"—the railroads. He accordingly gave high priority to renegotiating sections of our basic agreements with the railroads to provide for performance incentives. The first round of these renegotiations involved a number of unprecedented issues, although in general a prior pattern had been developed on a smaller scale between the State of Pennsylvania and the commuter railroads in the Philadelphia area. Despite the difficulties, new provisions were negotiated with a number of our lines following the general principle that we needed "to develop a more businesslike relationship with the railroads", as Mr. Lewis put it, in order to get better performance. It was understood that these pioneering incentive provisions would be subject to review and changed after we and the railroads gained some experience with them.

Once the principle was established that compensation to the railroads for the provision of Amtrak service should be related to quality of service performance as well as costs, with Congress concurring and assisting by the approval of appropriate statute and report language, the question became that of whether Amtrak was getting sufficient performance improvements correlative to the additional payments to the railroads. That question is still with us, and it is the question raised in your letter, Mr. Chairman.

The General Accounting Office report on the effects of the Amtrak incentive contract provisions, issued in June 1977, concluded that few benefits to Amtrak or its passengers were in fact being received in relation to the costs incurred. The report specifically concluded that the improvement in on-time service noted during the life of these agreements was primarily attributable to easier schedules; the application of an overly generous tolerance for determining on-time arrivals (based on tolerances adopted by the ICC), a low baseline (65 percent on-time performance within the liberal tolerances) above which incentives were paid, the aggregation of the on-time performance of all trains into one figure for determination of a railroad's total incentive payments, and the lack of any penalties for poor on-time performance.

Prior to the issuance of the GAO report, Amtrak was already taking steps to correct these deficiencies. In the nine "second-amendment" agreements negotiated and signed to date, Amtrak has been successful in negotiating shorter schedules with seven of the railroads. The schedules for the other two were not reduced because they were considered to be realistic in terms of reliable train operations.

In the revised incentive agreements, the tolerances used in determining whether a train is on time were reduced, so that a five-minute tolerance is now granted for trips up to 400 miles, and a 10-minute tolerance is allowed for trips of more than 400 miles. (The earlier, ICC-based tolerances were as much as 30 minutes for long trips.) Incentives are now paid based on the performance of individual trains rather than the aggregate performance of all trains on the railroad, and the baseline performance that the railroad must achieve before incentives can be earned was raised from 65 percent to 80 percent. Five of the nine second-amendment agreements negotiated to date also provide for a penalty for poor on-time performance.

The success of Amtrak's efforts to improve the incentive provisions has been recognized by the GAO. In their June 1977 report, GAO noted that:

"Current Amtrak management recognized the serious deficiencies in the First Amendment Agreements and, in new agreements, tried to structure incentives more realistically and make them contingent on actual performance. Amtrak management deserves a compliment for its efforts; however, as discussed previously, there are still problems that should be corrected."

The one important item identified by the GAO that Amtrak has not yet been successful in incorporating into agreements is the measurement of and adherence to on-time performance at major intermediate points. The railroads have resisted intermediate on-time checkpoints for purposes of calculating incentives because of the greater difficulty involved in delivering a train on time at each intermediate point in addition to the final terminal. We are continuing to press this point because of our large volume of travel between intermediate cities.

Amtrak is pleased with the progress we have achieved in its legal relationships with those railroads that have entered into second-amendment agreements. But, while Amtrak believes further improvements (primarily with respect to costs) should be achieved, we find ourselves somewhat constrained in our dealings with the railroads because of the way in which the ICC has interpreted and applied the governing statute regarding costs. Most notably, in the Texas and Pacific Case, the commission established compensation and incentives that are far more generous, and schedules that are far more loose, than anything contained in the contracts Amtrak has voluntarily negotiated.

Although this problem was clearly pointed out to the GAO (as cited in Appendix I to the June 8, 1977, report), the GAO did not see fit to take a position on the legal constraints that now confront Amtrak in its dealings with the railroads. Amtrak does support amendment of Section 402(a) of the Rail Passenger Service Act in the manner proposed in S. 2478 (Section 5) in order to resolve problems that are now posed by the commission's interpretation of the current provisions of Section 402(a).

In your letter of February 21, Mr. Chairman, a description is requested "of the precise kinds of analysis and evaluations employed by Amtrak [under the route criteria process] in evaluating whether a particular train should be discontinued". In practice, it should be noted, the question most likely to reach the Amtrak Board is whether all passenger train service on a route or a part of a

route should be discontinued. The most complete and precise answer to this question is, of course, to be found in the complete text of The Criteria and Procedures for Making Route and Service Decisions.

In brief, however, the route-criteria process ranks all of Amtrak's routes, selects the lowest-ranking ones for intensive analysis of possible improvements, and provides procedures for discontinuing or changing routes that fail to meet all standards, including the projected effects (versus costs) of possible improvements.

The criteria used to judge the performance of the routes are based on economic as well as social and environmental factors. In the first two steps of the criteria process, the present financial performance of all routes, and then their estimated future financial performance, are evaluated.

The economic criteria used and the standards set in FY 1978 for determining whether a route requires further intensive study are shown in Attachment B to this statement, on pages 1 and 2.

This systemwide ranking of routes has been carried out twice, once at the beginning of FY 1977 and once at the beginning of FY 1978. This is to be an annual review process.

The third step—evaluating selected individual routes—including detailed analysis of the future effects of possible service changes. For example, work on the Floridian service included evaluations of the projected effects of more than 25 different combinations of possible service changes, including various routings, changes in equipment, improved on-time performance, and of different schedule patterns.

The fourth step in the criteria process evaluates the social and environmental benefits of a route or any options developed during the first three steps of analysis. The social and environmental criteria are shown on pages 3 and 4 of Attachment B.

The standards set for the criteria are sufficiently precise to perform their function of grading routes and providing guidance to the Amtrak Board in their decisions on whether or not to retain or change a route or service.

In general, we do not consider the standards or the criteria process vague. Some elements are quite precise. Projections, of course, are always heavily dependent on assumptions, of which there can be many. The social criteria are considerably less precise than the economic criteria, reflecting the general national problem in developing "social indicators" similar to our well-developed systems of economic indicators. Environmental factors tend to be estimatable with more precision than social values in general, yet here the absence of detailed data bases can be a hindrance to an absolutely mathematical approach. At any rate, the most important environmental considerations are to be found in the "what if?" questions, which can deal with infinitely branching future possibilities, especially concerning national energy strategies.

So, as always, judgment must apply. And, it should be stressed that the application of the process is subject to continuing review—both before and after Board actions (or non-actions)—by the public, the interested state and federal agencies, and, of course, by the Congress.

For the present, we would propose no change in the present statute. One provision in S. 2478 would suspend any Amtrak decisions under the criteria and procedures (although staff work could continue) for the duration of the DOT systemwide review process. After that process has run its course, and when we may have an entirely different system to contend with, it may be timely to then consider possible changes in the procedures to facilitate a continuing and orderly evolution of the system so that shifts in public need and ways to exploit new opportunities for service can be more quickly accommodated.

The study now underway at DOT can mark an important turning point for Amtrak and the further development of passenger train service for the American people. For my part, it is my hope that the process of developing Amtrak will continue.

I think the best approach is toward an orderly evolution, beginning with the basics—getting more reliable equipment, better tracks, gets the speeds up and running times down, and add an occasional frequency where the markets show growth potential. It is a step-by-step, first-things-first approach.

One place I have in mind that definitely needs more service is on the so-called "Inland Route" between New Haven and Boston (via Hartford and Springfield). As things are now, this route takes somewhat longer to run but serves more people than the Shore Line.

Another priority should be getting the service between Chicago and Florida—the Floridian trains—through Atlanta, as was the original plan, and Chattanooga,

and to also get these trains back through Indianapolis, an important market we did serve but had to abandon because of bad track in Indiana.

A question has been raised about the number of routes Amtrak started with, later added (or dropped), and is now operating. The Secretary of Transportation's Final Report, issued in January 1971, designated 21 city pairs that were to be connected to form the integrated Amtrak system. This would have given Amtrak 21 routes. The failure of the Southern Railway to join reduced this to 20, although through Amtrak service between New Orleans and the Northeast Corridor was arranged. The Amtrak Incorporators added two "spurs", based on lines designated as permissible for service by the Secretary—one between Charlottesville, Va., and Washington, designed to strengthen the designated Cincinnati-Norfolk/Newport News route, and the other to provide service between New Haven, Conn., and Springfield, Mass.

Nevertheless, beginning with a count of 21 routes, as originally intended, we now have, in terms of how "routes" were defined in 1971, a total of 36. This is an increase of 15. These are, roughly in order of their addition, and with the state-assisted routes so noted:

- (1) Chicago-Seattle via southern Montana.
- (2) Oakland-Bakersfield, Calif.
- (3) Chicago-Quincy (state assisted).
- (4) New York (Springfield)-Montreal.
- (5) Seattle-Vancouver, B.C.
- (6) Chicago-Dubuque (state assisted).
- (7) Chicago (St. Louis)-Laredo.
- (8) Chicago-Port Huron, Mich. (state assisted).
- (9) New York City-Detroit (state assisted).
- (10) New York City (Albany)-Montreal (state assisted).
- (11) Washington-Richmond-Bluefield-Catlettsburg, Ky.
- (12) Boston (New York City)-Cleveland-Chicago).
- (13) Washington-Parkersburg-Cincinnati.
- (14) St. Paul-Duluth (state assisted).
- (15) Salt Lake City-Ogden-Boise-Portland (Seattle).

To get to the total of 16 added routes cited in the February 21 letter, we can only assume that someone has counted on our New York City-Newport News Service as a route addition. This is, however, a service repatterning, with trains operating over lines that have had Amtrak service since the beginning. This service entails no additional train or route mileage.

It should be noted that three of the routes added were done so as directed by statute (the international services to Montreal, Laredo and Vancouver), and that six of the others were added at the initiative of states providing partial financial support under Section 403(b) of the Act. Three others were later designated as experimental services by the Secretary of Transportation—Washington-Cincinnati via Parkersburg (this was originally designated to operate between Washington and Denver); Boston-Chicago via Cleveland, and Norfolk-Cincinnati (which was since restructured by the Amtrak Board to operate between Washington and Catlettsburg via Richmond).

On the state-assisted routes, we have asked for and corroborated marketing studies and ascertained that the states were prepared to provide their share of the expected net costs of operation. Similarly, the Secretary of Transportation was provided revenue estimates for routes under consideration by the department as candidates for experimental service. Revenue estimates were also made for each of the Amtrak-initiated experimental service.

As may be expected, in almost seven years we have considerably refined our ability to make revenue projections based on sizes and travel propensities of the communities proposed to be served. Travel volumes on other modes of transportation are examined as well as "city-pair affinities".

Also, we are now for the first time, beginning to get a measure of the expandability of city-pair rail-travel potential based on advertising and promotional campaigns. Early efforts in this regard were seriously hampered by the unreliability of our inherited and badly deteriorated equipment. Now, on many routes, we have new and attractive equipment that can be confidently promoted. We are finding that we can divert traffic from other modes (particularly from the automobile for some trips if not every trip) and that we can also generate new traffic by stressing downtown-to-downtown convenience plus special service to and from special events.

Mr. Chairman, I believe this responds to the several questions raised in your letter, but we would be pleased to expand on any of this material as the Members or staff may wish.

I think I should advise the Committee at this point that we are presently holding schedule changes to a minimum, but there are a few that we will be making in our April 30 timetables, when the change to daylight time takes place in most states. The schedules for the Empire Builder and the North Coast Hiawatha trains are being changed, for example, based on the fact that the schedules we are now running are not being well received by the public, especially in the intermediate cities. We understand that the general Congressional intent during the recent debate on the supplemental Amtrak funding was to essentially "freeze" the system pending the completion of the DOT "zero-based" route study. However, we do not interpret this intent to mean that we should not plan limited schedule changes designed to improve service, and I think most Members would agree that if we can see a way to give better service to more people we should go ahead and do it.

We have a limited number of changes programmed for parts of the Northeast Corridor service, and I have a summary of these I would like to submit as Attachment C to this statement, so as to get them on the public record as soon as possible. Needless to say, we have been keeping in touch with the state and regional transportation authorities on these adjustments. Some of these changes have been requested by the states, and they are presently reviewing all of them with us.

Before I conclude this formal statement I would like to mention our record this winter compared to last winter. I think this shows how far we have come in a short time. Last winter was a disaster for Amtrak, as it was for all the other modes of travel. But last winter, beyond the usual problems with snow, we had locomotive problems, steam lines freezing, water mains breaking and flooding and turning a whole car yard in Chicago into a lake of ice, and in Buffalo nothing was getting through.

This winter we have had some trouble in the Midwest, but nothing like we had last winter. We had one train, the Floridian, get badly stuck in Indiana, but on the whole our trains were getting through—often not on time, but getting through.

This year, Buffalo and Chicago were spared—relatively—but the big disaster was the record-breaking blizzard that paralyzed all of New England. All other forms of transportation came to a complete halt—even the Boston trolleys were stopped for a time—but every scheduled Amtrak train got through. And then we added some special trains. Trains made special stops to pick up stranded motorists and distribute emergency supplies. Amtrak stations were kept open around the clock as shelters. At one point the Providence station became the home-away-from-home for more than 400 people. On behalf of the Amtrak employees who served above and beyond the call of duty—some did not get back home until four days after they had reported for work—I would like to say here that I am proud of them and I am proud of Amtrak, and proud of how we've done this winter.

Mr. Chairman, this concludes my prepared remarks today.

ATTACHMENT A—CHANGES IN SUPERVISION AND PROCEDURES IN CAR AND LOCOMOTIVE MAINTENANCE SINCE 1976

At the time the GAO report was submitted (June 8, 1976) Amtrak owned three repair facilities and was contracting for work done at 18 other facilities owned by other railroads. In the past two years, Amtrak has acquired, by purchase or lease, eight additional car-maintenance locations. They are:

Chicago (12th Street)	St. Louis
Philadelphia	New Orleans
Sunnyside (New York)	Washington Terminal, D.C. ¹
Los Angeles (8th Street)	Chicago (21st Street) ²

The current status of remaining Amtrak and non-Amtrak facilities are as follows:

(1) Western Avenue, Chicago—This facility is owned and operated by the Milwaukee Road. At this time no periodic (regularly scheduled) maintenance is being performed on Amtrak equipment at this location. However, train-turn-around servicing is performed here. The takeover of this facility by Amtrak could not be justified since the majority of work performed at Western Avenue is related to the substantial commuter services operated by the Milwaukee Road.

¹ Amtrak has assumed 50 percent of the control of Washington Terminal; the remaining 50 percent is retained by the Chessie System.

² Lease to expire during 1980.

(2) 14th Street Yard, Chicago—The owner of this facility is Burlington Northern. All Amtrak-related maintenance previously performed at this location was reassigned to the Amtrak yards at 12th Street and 21st Street in Chicago in September 1976.

(3) 12th Street/16th Street, Chicago—These locations were acquired by Amtrak for the purpose of providing an Amtrak-owned-and-operated, consolidated yard that would include maintenance and service for all equipment presently being maintained under contract at the 12th/16th Street complex and also at 21st Street. Completion of the project is scheduled for 1980. Thirty-eight million dollars has been earmarked for this project and it is estimated that completion of the facility will be on schedule.

(4) Non-Amtrak facilities—Railroad shops still performing service for Amtrak: Hialeah Yard (Miami), and the St. Petersburg Yard, Florida (both locations owned by the Seaboard Coast Line) continue to provide maintenance and related services for Amtrak. The level and quality of service is satisfactory under the terms of Amtrak's agreement with SCL. Work done here compares favorably with performance at our various other facilities. Apart from the lack of capital funds to purchase these SCL facilities, it appears at this time that the operating benefits resulting from an Amtrak acquisition would be negligible and have not been recommended by the staff at this time. The King Street Yard in Seattle (owned by the Burlington Northern) continues to provide maintenance and service functions that are, also, totally satisfactory. (The Statement made in relation to the takeover of the SCL-owned facilities would apply here as well.)

The Southern Pacific facility at Oakland, California, is also providing all services adequately. A takeover of this facility would provide no greater benefits to Amtrak than the takeover of any of the above locations.

Locomotive and turboliner locations; current status

(A) *Rensselaer, New York.*—The new turbo facility located at Rensselaer began operating on December 1, 1976. This facility handles all maintenance on the Turboliner equipment used in the Empire service. In addition, all maintenance functions for ES locomotives formerly assigned to the Conrail facility at Harmon, N.Y., were transferred on March 1, 1977. The Harmon facility still performs all maintenance on the four third-rail-equipped FL9 series locomotives that operate between there and Grand Central Station. Harmon also performs turnaround servicing on Amtrak engines operating west of that point, and will continue to provide certain-wheel machining functions on these units.

(B) *Locomotive facilities.*—Amtrak has assumed, or taken over, the engine facilities at 16th Street, Chicago; Redondo Junction, Los Angeles; Boston and New Orleans. Amtrak is currently leasing the facilities at 21st Street in Chicago. Finally, as noted, 50 percent of the control of Washington Union Terminal, Washington, D.C., has now been assumed by Amtrak.

The maintenance functions previously required by Amtrak at the following locations have been eliminated: Cleburne, Texas (ATSF); Barstow, California (ATSF); Taylor Locomotive Facility, Los Angeles (SP); Woodcrest Locomotive Facility, Chicago (ICG).

The work performed at these locations has now been assigned to Amtrak-operated facilities.

Amtrak still requires the services of the locomotive facilities at Hialeah, Florida (SCL), and at Denver, Colorado (BN). At this time, Amtrak feels the services offered at these locations is satisfactory.

In addition to the facilities mentioned Amtrak has assumed control of a number of other maintenance or service facilities. Following is a list of some of these facilities:

New Haven—Locomotive maintenance and car and locomotive service (Conrail).

Wilmington—locomotive-Metroliner shop (Conrail).

Buffalo—Car maintenance and servicing (Conrail).

Detroit—Car and locomotive servicing (Conrail).

Ft. Worth/Dallas—Car and locomotive servicing (Santa Fe).

Minneapolis/St. Paul—Car and locomotive servicing (Burlington Northern).

Springfield, Mass.—Car and locomotive servicing (Conrail).

We continue, however, to be dependent on a number of railroads for maintenance and servicing functions at locations where a takeover by Amtrak is not practical for operating reasons or because of insufficient economic justification. Some of these facilities, which were not mentioned in the 1976 GAO Report, are shown below:

Harrisburg, Pa.—Locomotive shop (Conrail).

Newport News, Va.—Car and locomotive servicing (Chessie System).

San Diego—Car and locomotive servicing (Santa Fe).

Montreal—Car and locomotive servicing (Canadian Pacific and Canadian National).

Also, Amtrak continues to be dependent on the railroads for a substantial number of intermediate servicing locations where takeover cannot be justified due to minimal manhour requirements, that would result in Amtrak payment for partial, rather than full-time positions.

Automated data systems

The GAO report stressed the need for "automated data" information systems and "maintenance record" systems. At the time this report was written Amtrak was using a simple "bad-order" system, which was updated once a day at National Headquarters.

On June 15, 1976, Amtrak initiated a sub-system of the Equipment Maintenance System (EMS) concept under development at that time. This system is known as the Unit Car Status System (UCSS). UCSS is a dynamic real-time system that is updated as the events occur at major locations.

This system was designed to answer four basic questions:

Where are the bad-ordered cars?

Why are they bad ordered?

How long have they been bad ordered?

What can Equipment Maintenance at headquarters do to expedite the needed repairs?

In addition to answering these questions, the system is capable of producing many "on-demand" reports required by the Equipment Maintenance Department.

Another sub-system that has recently undergone testing prior to its implementation is the Vehicle Maintenance History program. This new system will allow Amtrak to hold a one-year history of each car and locomotive, which can be brought to a high-speed data printer in a very short time. This will enable Amtrak personnel to research and monitor the entire fleet on a very specific basis. Prior to the development of this system, this type of controlled monitoring had to be accomplished by manual means.

ATTACHMENT B.—PRELIMINARY STANDARDS METHODOLOGY

The Criteria and Procedures for making Route and Service Decisions require that standards be developed to segregate routes requiring study in further detail. The standards were formulated in accordance with the criteria and procedures to reflect the financial performance that Amtrak management should strive to attain, and to allow Amtrak to live within its resource constraints.

The standards thus developed are:

Criterion	Current	Future
(1) Financial contribution:		
Long distance:		
Daily.....	\$6,000,000.00	\$6,000,000.00
Triweekly.....	4,000,000.00	4,000,000.00
Short distance.....	1,000,000.00	1,000,000.00
Northeast corridor.....	0	0
(2) Contribution per passenger mile:		
Long and short distance.....	0.05	.05
Northeast corridor.....	0	0
(3) Connecting revenue:		
Long distance.....	500,000.00	500,000.00
Short distance and Northeast corridor.....	100,000.00	100,000.00
(4) Capital investment (5 yr):		
Long distance.....	(1)	10,000,000.00
Short distance and Northeast corridor.....	(1)	500,000.00
(5) Return on investment: All routes (percent).....	(1)	8

¹ No standard required under the criteria and procedure.

Each of the standards was developed as follows:

1. Financial contribution, and
2. Contribution per passenger mile.

Methodology

1. Financial contribution, and
- (2) The criteria results were studied to determine where gaps or a break

point in the results occurred at the depth required for studies to have the desired relevance to Amtrak's financial constraints.

3. Connecting revenue, and

4. Capital investment.

Established standards for three criteria were reviewed and retained. These standards were developed based on a detailed examination and ranking of all routes in the system.

5. Return on investment.

Amtrak's cost of capital (8%) is used as the standard.

The final step in isolating routes that would require further study under Task III of the process is to establish a methodology to identify routes that repeatedly do not meet the standards. The process used to select these routes was:

(1) A route was identified if it failed to meet two or more of the current economic criteria and two or more of the future criteria.

(2) For this particular application of the criteria, a route identified in item 1 (above) was selected based on the opportunity it could afford for improvement to Amtrak's financial condition. This is in accordance with the criteria mandate that the standards should be applied so as to allow Amtrak to live within its resource constraints. From a practical standpoint, this meant that the focus of his particular application of the criteria should emphasize the long-distance routes.

Task IV: Social and environmental criteria

The criteria specifies that, where sufficient opportunity to improve the economics of a route under consideration do not exist (Task III), the social and environmental benefits must be examined (Task IV). The criteria employs the following measures of these benefits.

Social Criteria.—(1) Population served or deprived of service on the route. Definition: The population surrounding each of the route's stops. Source: Bureau of the Census.

(2) Individuals using the route. Definition: The number of individuals using the route in a year. Methodology: Ridership divided by the average annual frequency of trip. Source: Amtrak on-board survey.

(3) Population deprived of all intercity rail passenger service. Definition: The population surrounding an intercity rail passenger station affected by the proposed change. Source: Bureau of the Census.

(4) Availability of alternate modes. Definition: An estimate of whether existing scheduled bus and air service currently provides enough seats to handle the anticipated demand of diverted Amtrak riders, and evaluation of comparative running times and fares. Population served located more than 35 miles from an airport with scheduled common carrier service, and assessment of highway network and access to automobiles. Source: Bus and airline guides, U.S. DOT maps, Amtrak on-board surveys, or U.S. Bureau of the Census.

(5) Impact on personal safety. Definition: The difference between the annual passenger deaths and injuries associated with the rail passenger service and the annual deaths and injuries to be expected from travel by other modes. Source: Amtrak accident reports, U.S. Department of Transportation.

*Environmental Criteria.*¹—(1) Change in energy consumed. Definition: The difference in energy consumed by the train and other modes as a result of a change in service. Source: Amtrak, U.S. DOT and other published studies.

(2) Change in pollutants generated. Definition: The impact on air pollution in pollution-sensitive areas,² and the effect on ground and water pollution of a change in service. Source: USEPA and other published studies; Amtrak.

(3) Land freed for alternate use. Definition: The area of track, passenger facilities and support facilities that would be available for non-railroad use in the event of a discontinuance of service. Source: Railroads and Amtrak.

ATTACHMENT C.—APRIL 30, 1978, NORTHEAST CORRIDOR SCHEDULE CHANGE SUMMARY

Effective April 30, 1978, a limited number of Northeast Corridor schedules are to be adjusted to improve service.

¹ Quantifiable standards are not applicable to social and environmental criteria except for: Energy consumption: Train should use less energy than if all passengers and mail were to travel by road. Pollution: Operation of the train should either improve air quality or have an insignificant impact.

² Defined as Air Quality Control Regions for which formal pollution-reduction plans have been formulated (State Implementation Plans).

A new Boston-Washington schedule of approximately 8 hours will be established using a convenient 15-minute cross-platform transfer at New York between Metroliners (for travel south of New York) and Amfleet (for travel north of New York). This will be based on present schedules but will entail special handling at New York. Passengers will save approximately one hour traveling time. There will be one service daily in each direction.

Certain local Philadelphia-New York trains will be combined with local New York-Boston trains to produce new and faster Philadelphia-Boston through services. There will be three daily schedules in each direction.

A new Washington-New York train will be added, leaving Washington at 8:10 a.m. Monday-Saturday. This fills the present gap in morning conventional train departures from Washington.

A new New York-Washington train will be added, leaving New York at 4:00 p.m. Monday-Saturday. This fills the present gap in afternoon conventional train departures from New York.

At the request of the states, the "Clamdigger", which now provides Monday-Friday service between New Haven and Providence, will be extended to Boston on a new schedule and will operate six days a week instead of five.

Other improvements, which consist of combining present trains or slightly altering service patterns will also be implemented.

The rescheduling of these trains permits us to add more service with a minimum increase in train miles.

[The following information was subsequently received for the record:]

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
MARCH 24, 1978.

Mr. PAUL REISTRUP,
*President, National Railroad Passenger Corporation,
Washington, D.C.*

DEAR MR. REISTRUP: We are writing to you to get clarifications, as well as specific suggestions relating to matters that were raised in the recent Amtrak authorization hearings.¹ From 1971 through 1977, \$1.8 billion of public funds have been committed to subsidize Amtrak's operating expenses with an additional \$3.6 billion for the ensuing five years. In addition, \$1.2 billion has been invested in Amtrak to date for capital equipment expenditures with another billion projected through 1982. Almost \$8 billion to provide rail passenger service during a ten year period has been allocated for approximately one percent of our travelling citizens. Do you feel this is a justifiable allocation of our resources?

Amtrak has indicated that fiscal year 1979 requirements of \$613 million to cover its anticipated deficit for operating expenses and \$341.4 million for capital improvements. Your prepared statement does not address the question of fiscal year 1979 funding, yet the Administration has recommended substantially reduced funding (\$510 million for operating expenses, and \$111 million for capital improvements). Please comment, providing specific recommendations.

In responding to the question of an appropriate funding level for fiscal year 1979, I would also like your reaction to the prepared remarks of another witness today that the reduced level of capital improvement funding would result in "wholly inadequate motive power rolling stock in maintenance of way requirements. In short, it would be \$111 million literally thrown away." (From statement of J.R. Snyder of Railway Labor, page 4.)

We would also like your response to newspaper reports that the Administration may favor a bill recently introduced by Representative McFall to have the Federal Government take over the operations of Amtrak.

The Committee also desires your response on the following matter relating to increased ridership on Amtrak. It has been suggested that Amtrak's increased ridership has been due largely to train additions rather than to increased ridership on existing trains. For example, if the percentage increase in operating losses from the addition of all trains that have been added since May of 1971 is examined over and above what the original system losses would be today without those additions, and this percentage is compared to the percentage increase in ridership since May of 1971, the two figures may be seen to be rather close. Please comment.

¹ The answers to the questions in this letter were not received at the time of going to press, May 6, 1978.

In terms of practical solutions to the problem of skyrocketing costs, please give the Committee your thoughts and comments on the following alternative methods for raising additional revenue, as well as cutting expenses:

1. A suggestion that the states be required to come up with a higher match than 50 percent on the 403 (b) trains;

2. An alternative that would require the states to make some contribution to the long distance trains that sustain heavy losses. This contribution could, for example, be based on mileage or some other relevant factor.

3. A plan that would require Amtrak to increase its ticket prices. In this regard it is worthwhile to note a statement made by Arthur Lewis in his testimony, "It is not a valid market assumption that passengers will not pay compensatory rates when the service is important to them. They pay what it costs to ride the airlines and to ride the buses. There is no basic reason to believe that the rail passenger will not similarly pay the cost of his trip when he goes by rail if in fact it is an essential service."

Amtrak recently sold a large number of passenger cars on routes in the far west and is awaiting the delivery of new cars from the Pullman Company. Why were these cars sold? What was the cost ratio of rehabilitating these cars rather than buying new cars? To whom and at what price were these cars sold? Domed observation cars are very popular in the far west. Does Amtrak intend to sell off all these cars? What types of cars will be used to replace the domed cars already sold?

Amtrak has requested a supplemental appropriation in the amount of \$55 million for fiscal year 1978 and was given \$18 million. What steps has Amtrak taken to prevent a cash short fall during the peak summer months? Can you estimate when Amtrak will "run out of money"?

What is Amtrak's position on establishing a new pet policy that would allow passengers to bring small pets into their private roomettes and pay whatever additional costs Amtrak incurs as a result?

Can Amtrak provide to the Committee any detailed information as to the potential for increased revenues under section 7 of S. 2478? Does Amtrak have the necessary equipment to handle any increases in the transportation of mail?

What has been the experience of Amtrak since the acquisition of the Northeast Corridor with respect to State or local laws regarding grade crossings and other highway constructions across the rail right-of-way?

Sincerely yours,

HOWARD W. CANNON,
Chairman.

RUSSELL B. LONG,
Chairman, Surface Transportation Subcommittee.

Senator LONG. Next I will call A. Daniel O'Neal of the ICC.

**STATEMENT OF A. DANIEL O'NEAL, CHAIRMAN, INTERSTATE
COMMERCE COMMISSION; ACCOMPANIED BY ALAN FITZWATER,
DIRECTOR, RAIL SERVICES PLANNING OFFICE**

Senator LONG. I would like you to summarize your statement if you would.

Mr. O'NEAL. I have a very brief statement and a longer one we can submit for the record.

Here at the table with me is Alan Fitzwater, Director of the Rail Services Planning Office. We appreciate the opportunity to testify on S. 2478.

In general, the Commission is in agreement with and supports this bill. Rather than discuss each of the provisions, I would like to focus on three of the areas which the Commission feels are important. First, public participation in the restructuring process. Second, suspension of adequacy of service regulations. Finally, the principles governing Amtrak payments to the railroads which operate its trains.

Section 3 of the bill directs the Department of Transportation to perform a comprehensive reexamination of Amtrak's route structure to the Congress. It also calls for an evaluation by the Rail Services Planning Office with field hearings and that sort of thing. We think this process, which has been used before in the Northeast, can work well here and so we support the provision.

As part of the route reexamination process, section 3 would also suspend the Commission's existing adequacy of service regulations from the date of enactment until the new route structure is implemented. These regulations mandate the health, comfort, and convenience aspects of passenger service that the traveling public has a right to expect. We understand that the implementation of the new route system will necessarily involve some inconveniences and that Amtrak may need some easing of certain regulations while it was implementing new routes.

We believe, however, that the blanket suspension envisioned in the bill may go further than is really necessary. We don't feel there is any need for the potentially far-reaching suspensions of regulations which the bill would allow Amtrak to implement unilaterally. Rather than total suspension, we would point to a possible alternative which would deal with both the difficulties of implementing new routes and the right of the traveling public to expect adequate service.

Under this alternative, Amtrak would be allowed during the 12-month implementation period to apply for an exemption to the Commission and if no action is taken within 30 days, then the exemption would be automatic. We believe that the congressional concern for the interest of the public, which of course gave rise to the Commission's authority over the adequacy of service in the first place, would require this kind of approach.

Finally, I would like to mention the principles governing Amtrak payments to the railroads which operate its trains. Currently, the act specifies incremental cost as the basis for compensation for the services a railroad provides for Amtrak. This provision of the act comes into play when Amtrak and the railroad can't reach agreement between themselves, and the Commission gets into the act. Our compensation decisions require Amtrak, in addition to paying for the operation of its passenger trains, also to compensate railroads for the use of their tracks and facilities.

In this respect the Commission's approach is similar to trackage rights arrangements that are reached between railroads, under which one railroad operates the track of another and compensates the owning railroad for the use of that track.

The proposed legislation would establish avoidable costs as a basis for compensation both for services provided by a railroad, and also for the use of its tracks and facilities. This approach would not have any significant effect with respect to payments by Amtrak for services provided, since our present guidelines come very close to avoidable costs.

We don't believe the avoidable cost standard is appropriate for use of track and facilities. Under that standard Amtrak would compensate only if the railroad could show that it would not need a track or a facility in the absence of passenger service. We don't believe the just

and reasonable compensation principle originally established in the act should ignore Amtrak's use of the railroad's tracks and facilities simply because the railroads also use them. Therefore, we recommend that the proposed provisions limiting compensation to avoidable cost levels be deleted from the bill.

Those are the major points we want to make. We would be happy to try and answer your questions at this time.

Senator LONG. Thank you.

I have had the impression that we don't have people working where we need them. It seems as though we have more people where we don't need them and less people repairing those rails. Do you share that view?

Mr. O'NEAL. That people are not working on the railroads?

Senator LONG. Under our union rules we are required to have more people on the train than necessary. On the other hand, we don't have as many people out there fixing those rails as we need, putting in new ties and fixing the rails up so they would be safe and efficient.

Mr. O'NEAL. I think there is general agreement that there are probably more people on the railroad trains than are absolutely necessary to run the trains in all instances. I don't know that you can translate that necessarily to say that there aren't sufficient numbers of people working on the tracks and roadbeds around the country.

We have some reason to think that there are adequate personnel being employed for those purposes. I am not sure that if you reduce the number of people working on the train, they would necessarily end up on the tracks and roadbeds anyway.

Senator LONG. If you talk in terms of jobs, if you had to operate your operation the way I operate my office, you have to think in terms of how many people I need to get the job done. If you told us that your tracks were in bad shape, in some cases operating trains with three people in the crew and other places with four or five, how would you go about arranging your personnel to get the best of it?

Mr. O'NEAL. Well, if you have problems of maintenance of your track and roadbed, you have to spend more money in that area. I think there are some carriers not spending an adequate amount of money. That is very true.

Senator LONG. I am told it takes 32 people to take a train overnight from Washington to Atlanta, the Crescent Limited. Do you know whether that is true or not?

Mr. O'NEAL. Thirty-two people.

I guess you would have to have three crews. That might be about right.

Senator LONG. Doesn't that seem to be a lot of people to have to take a train overnight from Atlanta to Washington?

Mr. O'NEAL. It is a lot of people. They are providing through service if the train keeps moving. They can carry 139 passengers per mile—that was the number this morning.

Senator LONG. Well, thank you very much for your statement.

I might submit some additional questions later.

[The statement follows:]

STATEMENT OF A. DANIEL O'NEAL, CHAIRMAN, INTERSTATE COMMERCE
COMMISSION

Mr. Chairman, Members of the Subcommittee:

Good morning. I want to thank the Chairman and the members of the Surface Transportation Subcommittee for giving the Commission this opportunity to present its views on S. 2478 the "National Rail Passenger Corporation Authorization Act of 1978." This legislation could have a significant effect on the future of our national rail passenger system.

In general, the Commission is in agreement with and supports this bill. We have specific comments on three features of the bill.

First, we wish to emphasize the importance of public participation and public input in the Amtrak route restructuring process. We believe that an active public role is necessary to assure that Amtrak's redesigned route structure is responsive to the needs of the traveling public.

Second, we believe it important that the regulations assuring the health and comfort of passengers are not allowed to lapse during the planning process.

Third, we want to discuss the principles governing Amtrak's payments to the railroads which operate its trains.

I will turn now to a more detailed discussion of these provisions.

Amtrak Route Reexamination

Section 3 of S. 2478 would establish a process for a comprehensive reexamination of Amtrak's route structure. The conferees on Supplemental Appropriations for FY 1978 directed the Department of Transportation to perform this study and recommend a route structure to the Congress (Conference Report—H.R. 9375—Report No. 95-815—November 8, 1977—Page 17). This bill would expand on the Conference Report's directive, providing for public comment and a technical evaluation of the Secretary of Transportation's recommendations.

The Commission supports both the route reexamination and the active public participation features of the planning process. We believe that a comprehensive reassessment of Amtrak's route structure, with emphasis on current and future population requirements, national energy considerations, and the costs and benefits of passenger service, is desirable.

The substantial increase in public financial support for Amtrak since its creation emphasizes the need for public participation in the reassessment process. Under the bill, the Secretary of Transportation's preliminary recommendations will be submitted for public scrutiny through hearings to be conducted by the Commissions Rail Services Planning Office (RSPO). RSPO performed a similar role in the restructuring process in the Northeast. The Northeast experience demonstrated that this approach is very effective in bringing vast and diffused public comment into sharp focus so that the public can actually have an impact on the planning process.

RSPO would hold its public hearings in the areas affected by the preliminary route restructuring recommendations, concentrating on hearing sites where the proposed route changes could have a substantial impact on the community and on the alternatives available to the traveling public. The Office of the Rail Public Counsel would be directed to assist the communities and passengers who might not otherwise be able to make their voices heard by the planners in Washington, in much the same way as RSPO's public counsel did in the Northeast restructuring.

After the public hearings, the bill would require RSPO to issue a report summarizing and focusing on the public's inputs, together with its critique and evaluation of the DOT's preliminary recommendations. This approach worked effectively in the Northeast restructuring. The RSPO hearings and evaluations of the "Core Report" and the Preliminary System Plan helped to assure that the Final System Plan for ConRail accurately considered the public comments and the rail service needs of the region. We believe the similar approach to passenger service provided for in S. 2478 will likewise be beneficial.

Adequacy of Service Regulations

As part of the route reexamination process, section 3 would establish a new section 406(g)(2) of the RPSA which would suspend the Commission's existing adequacy of service regulations from the date of enactment until the new route structure is implemented. These regulations mandate the health, comfort, and convenience aspects of passenger service that the traveling public has a

right to expect. While we understand that the implementation of a new route system will necessarily involve some inconveniences, and that Amtrak may need some easing of certain regulations while it is implementing new routes, we believe that the blanket suspension envisioned in the bill may go too far. We can appreciate, for example, that upon initiation of a new route, such items as baggage service and station hours may be in a transitional phase and understandably not in technical compliance with the regulations. This, however, is probably not sufficient reason to allow Amtrak to decide unilaterally upon the suspension of numerous adequacy of service regulations. For example it would seem that route restructuring by itself would not justify the suspension of regulations covering temperature control, sanitary restroom facilities, food service, first aid kits, and non-smoking space. Thus, although we understand the situation, we do not feel there is any need for the potentially far-reaching suspensions of regulations which the bill would allow Amtrak to implement.

Rather than the total suspension envisioned by the bill, we would point to a possible alternative, which would deal with both the difficulties of implementing new routes and the right of the traveling public to expect adequate service. Under this alternative, Amtrak would be allowed during the 12-month implementation period to apply for an exemption from specific regulations on specific routes with a 30-day deadline for action by the Commission on the application. If the Commission failed to respond within 30 days, the exemption would automatically be granted. We believe that Congress' concern for the interests of the traveling public, which it expressed by giving the Commission authority to regulate the adequacy of Amtrak service in the first place, might better be served by a plan of this kind. We have included as a nattachment the text of a provision which would implement such a proposal.

Compensation Principles

Section 5 of S. 2478 would change the portion of section 402(a) of the RPSA which defines the "just and reasonable compensation" which Amtrak must pay to the railroads which operate its passenger trains. This provision come into play when Amtrak and a railroad cannot reach agreement.

Section 402(a) now specifies incremental costs as the basis for compensation for the services a railroad provides for Amtrak. The Commission's compensation decisions have required Amtrak, in addition to paying for the operation of its passenger trains, also to compensate railroads for the use of their tracks and facilities. In this respect, the Commission's approach is similar to trackage rights agreements between railroads, under which one railroad operates over the tracks of another and compensates the owning railroad for this use.

The proposed legislation would establish avoidable costs as the basis for compensation both for services provided by a railroad, and also for the use of its tracks and facilities. This approach would not have any significant effect with regard to payments by Amtrak for services provided, since the Commission's present guideline for "incremental cost" is similar to the proposed section's definition of "avoidable cost." What is significant, however, is the contemplated change to limit compensation for the use of a railroad's tracks and facilities to avoidable costs.

As mentioned earlier, the Commission presently requires Amtrak to compensate railroads for the use of their tracks and facilities. The proposed legislation would require such a payment only if the railroad could establish that it would not need a track or a facility if it were not for passenger service. In other words, as long as the owning railroad used the track or facility for any freight service, Amtrak would not be required to pay the railroad any compensation for the use of this track or facility for passenger use. This is clearly a significant change from the current situation, and a change which the Commission opposes.

Our opposition is founded, basically, on two separate but related considerations. First, it must be recognized that the railroads were required to pay Amtrak \$197 million in order to be relieved of passenger obligations, and are required to run Amtrak's trains at an incremental or avoidable cost level. Given these initial and continuing payments to Amtrak for relief from passenger obligations, the Commission does not believe it is equitable to require the railroads also to make their tracks and facilities available without compensation in those situations where the railroads also use the tracks and facilities for freight service.

Second, in those situations where the roles are reversed and Amtrak owns the tracks over which a railroad conducts freight operations, the railroad is not

relieved of its obligation to pay for truck usage merely because Amtrak is using the tracks for passenger service. In other words, the avoidance cost concept is not used when Amtrak owns the track and it does not seem equitable that the compensation principles should be different when a railroad owns the track.

In summary, the Commission has consistently required Amtrak to compensate railroads and terminal associations for the use of their tracks and facilities because we do not believe that the "just and reasonable compensation" principle of section 402(a) should ignore Amtrak's use of the railroads' assets simply because the railroads also use them. We continue to hold this belief, and we recommend that the proposed provisions limiting compensation for use of tracks and facilities to avoidable cost levels be deleted from the bill.

The proposed section 402(a) would also tie any compensation above avoidable costs for railroad services to Amtrak to the degree by which a railroad exceeds an 80 percent on-time performance level for Amtrak's trains. In practice, this is not a major change from the existing statute because the Commission has consistently used 80 percent on-time performance as the basis for its quality of service computation. We have stated (see *Union Pacific Compensation Decision*, 348 ICC 926, 950-951, 1977) that we believe that on-time performance is the only practical way of setting such a standard. The level was set at 80 percent on the basis that a lesser figure would not meet the quality of service to which the traveling public is entitled and that a higher figure might prove counterproductive by being beyond reach and eliminating a railroad's incentive. The proposed amendment would codify the standard the Commission has been using. While we do not believe codification of the present administrative standard is necessary and may cost a degree of flexibility should changes be warranted later on, it is consistent with present practice and we would have no serious objection to its adoption.

Thank you for this opportunity to present the Commission's views. I will be glad to respond to any questions you may have.

ATTACHMENT

Text of recommended change to proposed section 406(g)(2) of the Rail Passenger Service Act:

"(2) During the period beginning on the effective date of the new basic route system designated by the Secretary under this section, and ending 12 months after such effective date, the Commission shall grant or deny petitions filed by the Corporation for exemptions from the regulations promulgated under section 801(a) of this Act within thirty days of the date such petitions are filed with the Commission, provided such petitions for exemptions apply to the development or implementation of the new basic route system. In the event the Commission does not grant or deny such petitions within thirty days of the date of filing, such petition shall be deemed granted for a period not to exceed 90 days."

Senator LONG. Mr. Henry Eschwege, Director of Community and Economic Development.

STATEMENT OF HENRY ESCHWEGE, DIRECTOR, COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION, GAO; ACCOMPANIED BY HERBERT R. McLURE, ASSISTANT DIRECTOR; AND CLARENCE L. SEIGLER, SUPERVISORY AUDITOR

Mr. ESCHWEGE. Thank you, Mr. Chairman.

I would like to introduce Mr. Herb McLure on my right, the Assistant Director in charge of the work we do in the railroad area. On my right is Clarence Seigler, supervisory auditor, who works specifically in the Amtrak area. I will try to keep my statement to the 10-minute limit that you have set.

We are here today at your request to discuss our ongoing work at Amtrak. There is quite a bit going on. We have just completed a review of Amtrak's operating costs, its route profitability systems, and

some aspects of its route systems. Our report on the results of the review will be released shortly. We didn't ask Amtrak to respond formally to the report because of the time constraints involved but have discussed our findings with Amtrak officials.

We have also completed our annual review of Amtrak's performance required by section 805 of the Rail Passenger Service Act. This year we reviewed Amtrak's long-range goals to develop high speed corridor service outside the Northeast. The resulting report should be available in the near future.

Moreover, we recently published a special analysis of Amtrak's 5-year plan and copies have been provided to the subcommittee. We are also reviewing some of Amtrak's high cost routes and how the route criteria and procedures approved by the Congress in 1976 have been applied. Our report on that work should be available in June.

A list of our prior reports on Amtrak is included as appendix I to this statement. Appendix IV explains our recommendations in those reports and Amtrak's actions in response to our recommendations.

Under the program authorized by the Rail Passenger Service Act, Amtrak is charged with developing, operating, and maintaining a safe, modern, and efficient national rail passenger system. It operates, both directly and through contracts with operating railroads, about 1,500 trains per week over about 27,000 route miles. It also manages a capital improvement program designed to upgrade equipment and facilities.

From Amtrak's beginning in May 1971 through September 1977, it generated revenues of almost \$1.5 billion, but incurred operating expenses of more than \$3.3 billion. The resulting deficits totaled \$1.85 billion. During the same period the Government provided operating subsidies of about \$1.6 billion, loan guarantees of \$900 million and grants of more than \$229 million for Amtrak's capital acquisitions and improvements.

Amtrak management recently estimated that its revenue for fiscal year 1978 will be \$323.1 million and that operating expenses of \$901.1 million will be incurred. The Federal operating subsidy for the year is expected to be \$536 million. Since only \$506.5 million has been appropriated, Amtrak needs a second supplemental appropriation this year of \$29.5 million to continue all existing routes and services.

Amtrak has placed its Government operating subsidy requirement for fiscal year 1979 at \$613 million. The administration's budget, however, proposes \$510 million, a difference of \$103 million.

Our work at Amtrak has convinced us that if Amtrak's subsidy is to be reduced significantly from the amounts Amtrak has asked for, substantial reductions in service will be necessary. These reductions would entail discontinuation of some of Amtrak's least used and most heavily subsidized routes.

We carefully considered Amtrak's costs in coming to this conclusion, and found a few areas in which we believe Amtrak's management may be able to achieve better efficiency. For example, maintenance is Amtrak's largest area of expense. Two years ago we recommended that Amtrak develop productivity standards for these activities so management could better control costs. Amtrak still needs to develop these standards.

Amtrak lost more than \$40 million on food and beverage service in 1977. Also sanitary conditions were not always maintained. Amtrak management should work to reduce losses and should strive to provide exemplary service that meets all sanitary and safety standards.

Direct labor costs for operating locomotives are high because negotiated work rules often permit a day's pay for less than a day's work. For example, ConRail work rules require that Amtrak pay the equivalent of about four people to operate the locomotive between Detroit and Chicago. A single bus driver makes the same 6-hour trip. Although Amtrak seems to be able to do little about these work rules, it should continue to work toward a more rational approach.

Although we have identified these and other areas that warrant management attention, we want to emphasize that we did not identify any areas of mismanagement where efficiencies could be achieved that would appreciably reduce Amtrak's subsidy need.

As part of our review of Amtrak's operating costs, we also reviewed the route-by-route costs and revenues Amtrak reported in its most recent 5-year plan and Amtrak's estimates of the savings that would result if a route or service were discontinued. We found the assumptions used to prepare these estimates to be reasonable and the methods of gathering data reliable and accurate.

Amtrak has grown substantially since it began operations in 1971. The number of Amtrak routes has increased from 25 to 40, the number of trains per week is up 20 percent, and the train miles per week are up 40 percent. Yet, ridership has not kept pace with the system's expansion. Amtrak carried 19.2 million passengers in 1977 compared to 16.6 million in 1972, an increase of only 15.6 percent.

Amtrak's load factors, expressed as passenger miles per train have also gone down steadily, from 126.81 in late 1974 and early 1975, to 103.81 in fiscal year 1976. The latest data show that this statistic is now below 100.

Amtrak has identified several routes as being potential corridors which may warrant development along the same lines that the Congress authorized for the Northeast corridor. Our review convinced us that Amtrak's prospects for economic success on these additional corridors are bleak. Although Amtrak considers them to be some of its best routes, there simply are not enough people riding the trains to pay for the services.

Amtrak believes social benefits such as safer intercity travel, improved and more convenient services to the public, lower fuel consumption, and lower air pollution in highly populated areas justify the economic cost of rail passenger service. We found, however, that these benefits depend on increased ridership.

For example, a train can be fuel efficient when heavily loaded and moving over relatively long distances, but Amtrak is not fuel efficient because it does not carry enough passengers. We have included a chart in appendix II that illustrates the relative fuel efficiency of different transportation modes. Our review of Amtrak's current operations leads us to believe that passenger loads are not likely to go up unless a disruption occurs in another transportation mode.

Amtrak's 7-year experience shows conclusively that under current conditions, all but about 1 percent of intercity travelers in the United

States prefer other modes of transportation. We think the reasons are straightforward. Air travel is much quicker and more convenient for time-sensitive travelers, smoother and more comfortable—especially considering the comparatively short time the traveler occupies the airplane—and, on longer trips, air travel is in the same price range as Amtrak.

Buses go more places than Amtrak, and bus travel is somewhat cheaper. Automobiles give travelers more control over where and when they go, are convenient to have at the destination points, and are perceived as being much cheaper than the train, particularly when more than one traveler is involved. These factors are illustrated in appendix III. Under current conditions, Amtrak cannot offer most intercity travelers a service that is as good as the available alternatives.

The exception that seems to prove the rule is the Northeast corridor, where the train offers comparatively high speed, low fares, and where the major cities along the route have adequate public transportation minimizing the convenience value of the automobile. In 1977, Northeast corridor operations accounted for 57 percent of Amtrak's total ridership, 31 percent of Amtrak's revenues, and only 24 percent of Amtrak's costs.

Given these facts, Congress choices are limited. It can (1) give Amtrak the subsidy it has asked for and allow the present system to continue; (2) give Amtrak less subsidy than it asked for and allow the system to be reduced; or (3) give Amtrak a large subsidy than it asked for and allow expanded service. There are, of course, variations available within these choices.

Viewed solely in economic terms, Amtrak's rather bleak operating results would suggest little justification for continuing most rail passenger service. The Congress, however, has approved "route and service criteria" which are designed to require consideration of all the economic, social, and environmental factors that rail passenger services produce. If changes are to be made in Amtrak's route system, we think the route and service criteria should be used.

This completes my prepared statement. I will be glad to respond to any questions you may have.

Senator LONG. I have just one question. In the State I represent the major railroad issue is the Crescent Limited. It will have to be discontinued. If Amtrak takes it over they will ask still more money. It seems to me that here we are trying to put a tax on the waterways—I am not leading the charge for that but that is something that will happen. The President determined it will be that way.

We will have to get by with less subsidy on the waterways and not complain about it. That is an accomplished fact. We will have to live with that and pay more and have less subsidy for waterways.

Well, if that be the case, I have to either ask for more subsidy for Amtrak or less. I think I should ask for less. Not ask them to take over Southern. Ask them to just go ahead and let nature take its course. Let Southern discontinue and ask Amtrak to discontinue these inefficient operations that are losing more money than Southern.

Wouldn't we have a better transportation system, at least a far more efficient transportation system, if you let the traffic that is losing a fortune move over onto the buslines where they are making a modest

profit and perhaps allow those buslines into a situation where they might be able to operate at a better profit?

Mr. ESCHWEGE. From an economic point of view, you are absolutely right. Amtrak is not making it and will not make it. The difference I would suggest is that Congress has also asked Amtrak to look at the social and environmental benefits because we are dealing with passengers, and I am not convinced from what I see in Amtrak's studies that this has been fully studied, whether the social and environmental benefits are so great that we ought to overlook the economic losses to continue all these routes that they currently have. I am not sure that they are convinced they should all be continued. That is why the Department of Transportation has been charged with making the study to see which are the least profitable routes. I hope they are willing to——

Senator LONG. They should not take forever to make up their mind. You and I know that you can take 2 years to make your mind up about something. If you have to do it, you can make up your mind in 6 weeks. Look at the facts available to you and do something.

Many times as a committee chairman, we are operating under a time limit. The President and Members of Congress want to act on a bill before we get out of here, so we have to make a decision, ready or not. My impression is that we do pretty well with that.

Let's take this Southern operation. Thirty-two people between Washington, just overnight between Washington and Atlanta. Frankly, if that was effectively operated, the way you operate an efficient bus service, tie two or three of them in tandem and put one driver on there. If the railroads insist on having somebody look out the rear, OK, one look out the rear and have one change of crews somewhere about halfway through and roll that thing right on down the way and perhaps you could move a little faster. Make it so the two could join up and complement one another and have one section of it make the local stops and the other section run through like an express and shorten their time schedule and move at a higher speed. You would probably pick up business and maybe even be able to continue it.

But you won't be able to do business with 32 people operating the traffic available to them. You are losing a lot of money. If you had to advise me, should we tell them to make it more efficient if they can, or discontinue it?

Mr. ESCHWEGE. Mr. Chairman, I couldn't advise you on this one because I haven't studied that particular railroad, but let me make some general comments. A lot of this is due to the union rules that prevail about how many crews you need on a train and so on. For every 100 miles of travel, the engine crews collect a day's pay. For every 150 miles of travel the train crews collect a day's pay.

In all fairness to Amtrak, they are dependent for their crews on the other railroads. They have very little leverage in the bargaining that goes on in making up these rules. I am pleased to hear today that maybe there is some possibility of relaxing some of these rules. These rules are part of our problem.

Senator LONG. The very existence of Amtrak, it seems to me, is a monument to the fact that the unions would rather have more jobs now than to yield on some of these antiquated labor rules. Isn't that right?

Mr. ESCHWEGE. I would like to point out one exception. On the Metroliners, as I understand it, there is only one person in the engine crew going back and forth on the Northeast corridor. It is true that that person gets paid more than a day's wage for making the round trip ticket.

Senator LONG. Would you mind explaining that?

Mr. McLURE. They made a concession in order to get the single engineer. They would pay on the 100-mile rule. So that the engine driver gets approximately 4.2 days' pay on the average.

Senator LONG. 4.2 days' pay. For how much work?

Mr. McLURE. He drives the train up, which is about a 3-hour trip, and lays over and brings another train back the same day. Six hours on the train plus additional time.

Senator LONG. So you pay him for more than 4 days' work—4 days' pay to do 6 hours of work.

Mr. ESCHWEGE. Actual train driving. There is some other time involved in laying over. He gets paid for that.

Senator LONG. I am sure it is a high risk being terrified the train might run off the track and things like that. All the lives in his hands and all that. But that is like paying for four people, isn't it?

Mr. ESCHWEGE. Yes. But it does save you the additional train crews you otherwise would have.

Senator LONG. It just seems to me if the union wants to make that decision, it is a tough decision for them to make. I don't envy them, any union supervisor's job. That is a tough job. You have to bargain with people. There is always a loudmouth in the back of the union hall trying to get his job every time you turn around. It is not an easy job being a business agent for the union. But they have to make the tough decision.

Rather than go along with reduced cost as a price in order to achieve efficiency, that efficiency can't be rewarded with these costs—that is not the first union to face that problem, that situation. If they price themselves out of the market, it seems to me that they ought to be prepared to live with it. They can't have it both ways.

Do you know how many people who can have it both ways in life? To stay home and draw their pay at the same time?

Mr. ESCHWEGE. I might add it is critical. Sixty-five percent of Amtrak's costs are in the labor and labor benefits area. If you are trying to get the costs down, this is one area they need to work in.

Senator LONG. It seems to me that I think it would be wiser to subsidize the buses to get some modern equipment. Discontinue some of these trains, the labor people might be willing to permit us to drive those buses—it would be a smoother ride, wouldn't it, if you built the equipment so it could ride the rails. It ought to be a smoother ride to hit those bumps than some spots on the highway.

Mr. ESCHWEGE. We might agree on that but there is a question of how different people feel about that.

Senator LONG. That old dog I was talking about that wouldn't eat the food but wouldn't let the chicken have it. Well, thank you very much.

Senator SCHMITT. I hope the record will be open for questions.¹ However, I do have just one question for these gentlemen.

¹ See p. 69.

Have you attempted to stand away from our present situation and look at, say, the year 2000—which we are forced to do on the floor of the Senate all the time—and try to design in your own mind a rail system that would provide a necessary economical service and one which would be profitmaking?

Are you telling me there is no role in the future for passenger service on the railroad?

Mr. ESCHWEGE. I am not sure I am saying that. First of all, we have not taken a crack at that long-range future. There are passenger services in other countries that are also subsidized because they feel there are some social and environmental benefits to subsidizing these passenger railroads. There are some people who will only travel by train. Some handicapped, older people, and so on. So we are not saying, at this point at least, that we ought to cut out all passenger railroads.

The Northeast corridor, for instance, is a pretty successful operation, although it is not profitable as yet because it has to bear the costs of the rest of the railroad to some extent—the overhead.

But we are saying, let's try at least to quantify some of these social and environmental benefits and see where they make sense and where we ought to continue the routes.

Senator SCHMITT. I understand that as being one source of passengers; those people that, for psychological or practical reasons, should find it much more convenient and in fact maybe necessary to use the rail lines. However, I got the impression from this testimony and other testimony we had before this committee that there is a general acquiescence to the fact that for the United States, at least, there is no real window for rail passenger service other than those you might want to subsidize. I am talking of a window that is an economic one.

Mr. ESCHWEGE. We don't in the foreseeable future see that Amtrak can make it on its own.

Senator SCHMITT. I am not alluding to Amtrak. Forget what we know now, look at the year 2000. What would you design if you had absolutely no restraints that would fill a real need within the transportation requirements of this country. You talked about a 5-hour tolerance. Is that because of the quality of the service, that there is a 5-hour tolerance?

When I was a kid, to play the chairman's game, I remember going from Demming, N. Mex., to New York on a train and enjoying it. As I recall, my parents enjoyed it. We had a super time. That was a 48-hour trip, as I recall. It was good service. We had good eating. Lots of people on the train to talk to and everything. Somehow we lost that. That is what I am trying to get at.

At one time there was a market. Are we saying that the advancement of bus transportation, convenience of the automobile, increase in aircraft convenience, accessibility, has destroyed this market? Is that what we are saying; that it is not there and never will be again?

Mr. ESCHWEGE. I haven't looked at the year 2000. I can think of some reasons why it might come back. If we really have such an energy problem that we can't use our automobiles any more, you might get some more ridership.

Senator SCHMITT. I remember talking to Secretary of Transportation Volpe just as he left office many years ago, before I was even in-

volved in politics, and we were talking about buses. But I think the same thing applies to the rails. If you make it something that is enjoyable to do as well as convenient to do, people will probably use the rails. What I keep hearing is that we haven't done that, that we are not even close. It is a 5-hour tolerance. That must mean 5 hours people don't enjoy it any more or they start to not enjoy it as the case may be.

I wonder if we really have gotten so embroiled in our concern over making Amtrak go or not go, or other systems go or not go, that we haven't put our energies, and to some degree our finances, in trying to figure out what would be a system that would fill a real national need sometime in the future and then trying transition from where we are today to that system.

Anyway, we are in the forest looking at the trees rather than trying to see what the shape of the forest in the year 2000 might be if we were wise enough to create it. If you have any thoughts on that in line of what we have today, what you think a viable commercial, private, investor-owned railroad system could look like in the year 2000, I would appreciate it. It is an area outside my expertise. I have a feeling there is one there. We just haven't figured out what it is.

Mr. ESCHWEGE. Maybe what we could do is see if anyone has given some thought to that and made some studies on that and provide you with it.

Senator SCHMITT. I would appreciate it.

Thank you.

[The following information was subsequently received for the record:]

The Department of Transportation published a document in January 1977 entitled "National Transportation: Trends and Choices." The document addresses the future of both domestic and international transportation from 1976 through the end of the 20th century. Chapter VII discusses the role of America's railroads in the Nation's transportation system.

The Secretary of Transportation issued a statement on February 6, 1978, setting forth the broad directions and goals he expects to pursue in developing transportation policies and programs for the future. The statement addresses our national transportation system over the next 10 or 15 years. Page 10 of the statement discusses the future role of Amtrak.

Senator LONG. In line with what Senator Schmitt was saying, if we start all over again, take the assets you have and start from there—negotiate all these old outdated union rules and not just let anybody out to make a buck do business the way they want to, do something in the free enterprise way, maybe some people could get together and take some equipment and run it back and forth from Atlanta to Washington and make money at it. If they did it in the free enterprise tradition, they wouldn't be doing it the way it is now where you have job security and you are afraid if you put in any additional efficiency that might displease an employee and then you have to go into long-term labor negotiations and that sort of thing. If you did it that way, you might even have some people go in as partners to see if they can't do something to make it succeed and put some of their own money into it. I am sure you have some experience and familiarity about how hard people work when they have their own dough into something trying to make their own business succeed. That has been America's secret weapon.

Mr. ESCHWEGE. Absolutely.

Senator LONG. People will work when they have their own business, when they have their aspirations in life invested in it.

Senator SCHMITT. In the face of what we do to make it more difficult for them.

Senator LONG. With Uncle Sam standing by to take more than half of it if they succeed.

Well, thank you very much.

[The material referred to follows:]

APPENDIX I

LIST OF PRIOR GAO REPORTS ON THE NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

Amtrak Needs To Improve Train Conditions Through Better Repair And Maintenance, B-175155, June 21, 1973.

Railroad Reservation, Information And Ticketing Services Being Improved, B-175155, August 22, 1973.

Fewer and Fewer Amtrak Trains Arrive On Time—Causes Of Delays, B-175155, December 28, 1973.

Information On Loan Guarantee Programs Under The Rail Passenger Service Act And The Regional Rail Reorganization Act, RED-75-329, February 26, 1975.

How Much Federal Subsidy Will Amtrak Need? RED-76-97, April 21, 1976.

Quality Of Amtrak Rail Passenger Service Still Hampered By Inadequate Maintenance Of Equipment, RED-76-113, June 8, 1976.

Amtrak's Incentive Contracts With Railroads—Considerable Cost, Few Benefits, CED-77-67, June 8, 1977.

APPENDIX II

FUEL EFFICIENCY AND SAFETY OF MAJOR INTERCITY TRANSPORTATION MODES

The following table illustrates the passenger miles per gallon of fuel and passenger fatalities per 10 billion passenger-miles for the various intercity transportation modes:

	Passenger- miles per gallon fuel	Fatalities per 10 billion pas- senger-miles ²
Bus.....	116	3
Amtrak.....	56	1
Automobile.....	40	140
Airlines.....	20	6

¹ 1976.

² 3-yr average (1974-76).

Appendix III

AMTRAK FARES ON POTENTIAL CORRIDOR ROUTES COMPARED WITH OTHER TRANSPORTATION MODES

	Fare necessary for Amtrak to break even	Automobile				
		Amtrak	Bus	Air ¹	Full cost	Incremental cost
Chicago to Milwaukee.....	\$38.75	\$6.25	\$5.50	\$25.00	\$14.45	\$4.25
Chicago to Detroit.....	29.80	20.50	* 21.40	40.00	47.43	13.95
Los Angeles to San Diego.....	14.45	9.00	8.35	11.45	21.76	6.40

¹ Lowest existing day coach fare.

* Round-trip ticket reduces 1-way cost by approximately 5 percento

APPENDIX IV

AMTRAK ACTIONS ON RECOMMENDATIONS FROM PRIOR GAO REPORTS; AMTRAK'S INCENTIVE CONTRACTS WITH RAILROADS—CONSIDERABLE COST, FEW BENEFITS (CED-67-77, JUNE 8, 1977)

When Amtrak began service they contracted with 20 railroads to operate the trains. These cost-reimbursement contracts did not produce satisfactory performance by the railroads, which were paid as much for poor service as for excellent service.

To encourage better performance, Amtrak negotiated incentive contracts with 10 railroads in 1974. Incentives were paid for good performance and penalties assessed for poor performance.

GAO found that the incentive provisions had major deficiencies and that in some cases it was impossible to be sure that the railroads complied with the provisions. GAO concluded that the incentive payments had little effect on performance.

To improve incentive provisions in Amtrak's future contracts GAO recommended that:

- Railroads be penalized for poor on-time performance,
 - Arrival times be reported by Amtrak staff,
 - On-time performance be measured at major intermediate points especially for schedules that are not properly structured,
 - Amtrak penalize railroads for unsatisfactory car cleaning,
 - Amtrak reward railroads for doing more maintenance work than expected and penalize them for not doing what is expected.
- GAO also found deficiencies with the flat rated (fixed amount) provisions of the contracts. Flat rates frequently exceeded the railroads' actual cost for providing the service. GAO recommended that in renegotiating flat rates, Amtrak consider what a service should cost in addition to actual historical cost.
- Amtrak applied most of these general principles in negotiating subsequent contracts with railroads. GAO agrees Amtrak's latest incentive contracts are substantially improved.

QUALITY OF AMTRAK RAIL PASSENGER SERVICE STILL HAMPERED BY INADEQUATE MAINTENANCE OF EQUIPMENT (RED-76-113, JUNE 8, 1976)

GAO recommended that Amtrak:

Take equipment out of service when necessary to insure that scheduled maintenance is done and give sufficient leadtime notice to refurbishment contractors.

According to an Amtrak official fewer cars are being overhauled today because of budget restrictions. Reduced funding resulted in a 205 car backlog on October 1, 1977, of equipment needing overhauls. Amtrak estimates that at September 30, 1978, this backlog will rise to 319 cars.

Develop specific inspection guidelines and staffing criteria for field inspectors.

Amtrak has developed guidelines for inspectors, however, no staffing criteria exists for determining the number of inspectors needed at each facility. The number of inspectors required is determined by foremen based upon the work demands at any particular location.

Make periodic, formal evaluations of the individual railroads' performance and use these evaluations as the basis for taking action, including legal action, if necessary, to get the railroads to comply with the contract terms.

A contract audit group has been established to periodically review railroad performance to ensure they are providing services as outlined in the contracts. This group is responsible for identifying and reviewing excessive costs paid to the railroads. In some cases litigation has been brought against railroads to recover these costs.

Assign a high priority to completing the automated maintenance system, to avoid further delays, and to insure completion at the earliest possible date.

Amtrak has implemented an automated system for inventory control with computer terminals located at major stocking facilities. In the future, Amtrak plans to use the system to procure all parts and supplies.

Include work productivity standards, after Amtrak develops them, in its contracts with the railroads.

Amtrak told us it is currently developing productivity standards, however, these standards have not been implemented. As a result, Amtrak does not know what opportunities for improvement exist.

HOW MUCH FEDERAL SUBSIDY WILL AMTRAK NEED? (RED-76-97, APRIL 21, 1976)

GAO's study showed Amtrak's projected revenues were optimistic, expenses understated, many items were not supported by documentation, and that the 5-year plan should have shown a need for greater Federal assistance than it did.

To improve these deficiencies GAO recommended that Amtrak make an effort to base projections on each route's market potential taking into consideration actions necessary to attract potential ridership.

In our recent report entitled, "An Analysis of Amtrak's Five Year Plan" (PAD-78-51, March 6, 1978) we further discuss Amtrak's planning and the changes they have made.

FEWER AND FEWER AMTRAK TRAINS ARRIVE ON TIME—CAUSES OF DELAY (B-175155, DECEMBER 28, 1973)

GAO reported that Amtrak's on-time performance was poor and getting worse.

We concluded that Amtrak's contracts with the railroads needed to be amended to include reasonable, definitive and enforceable on-time performance standards to provide a basis for obtaining cooperation from the railroads in achieving improved performance. Amtrak's objective was to have trains on time on 90 percent of their trips.

Our work indicates that, although Amtrak has taken suggested actions to improve, it has not achieved its goals for on-time performance. In fiscal 1977 Amtrak trains were on time only 62 percent of the time. Amtrak believes speed restrictions placed on SDP40F locomotives and severe winter weather are the primary causes for their poor on-time performance.

RAILROAD RESERVATION, INFORMATION AND TICKETING SERVICES BEING IMPROVED (B-175155, JUNE 21, 1973)

GAO recommended that Amtrak establish a monitoring program to evaluate the effectiveness of measures taken to improve its reservations and ticketing operations. Amtrak has initiated a monitoring program that provides daily and weekly reports on the number of calls received, answered, lost and the number of wire messages received. Amtrak uses this system to monitor the effectiveness of its improvement program.

AMTRAK NEEDS TO IMPROVE TRAIN CONDITIONS THROUGH BETTER REPAIR AND MAINTENANCE (B-175155, JUNE 21, 1973)

GAO recommended that Amtrak should:

Take direct responsibility for maintaining and repairing its passenger cars and locomotives.

Establish procedures for inspecting car maintenance and repairs and increase the number of employees assigned to inspection of cars and locomotives.

Enforce train crews' use of car condition trip reports.

Establish a maintenance records system for passenger cars.

Expedite establishment of a parts inventory control system for passenger cars.

Award refurbishment contracts on the basis of open competition.

Schedule passenger cars in advance for refurbishment.

Prepare detailed specifications for refurbishment.

Hold contractors responsible for defective refurbishment.

Amtrak has taken action on all these recommendations. Most are addressed in our subsequent report entitled, "Quality of Amtrak Rail Passenger Service Still Hampered By Inadequate Maintenance of Equipment" (RED-76-113, June 8, 1976) while others are discussed in our draft report "Amtrak Cannot Operate Its Present Route System For Less."

[The following information was referred to on p. 64:]

QUESTIONS OF SENATOR SCHMITT AND THE ANSWERS THERETO

Senator SCHMITT. Regarding Amtrak service in my home state:

1. How many passengers were there last year? Is that an increase or decrease compared to previous years?

2. What efforts have been made to improve ridership in the state? What is the FY 1978 advertising budget for my state?

3. What is Amtrak's annual loss from routes in New Mexico? What is the loss per passenger?

4. Are there any plans for changes in service?

ANSWER. Amtrak tabulated 58,656 passengers getting on or off trains at the seven Amtrak stations (on two routes) in New Mexico during Fiscal Year 1977:

Route	Total fiscal year 1977 ridership	On or off in New Mexico	Intrastate riders	Interstate riders
Sunset ¹ (trains 1 and 2).....	107,000	1,905	3	1,902
Percentage.....	100.0	1.8	-----	1.8
Southwest Limited ² (trains 3 and 4).....	300,000	56,751	6,680	50,071
Percentage.....	100.0	18.9	2.2	16.7

¹ Route has triweekly service between Los Angeles and New Orleans. Stops are made in New Mexico at Deming and Lordsburg.

² Route has daily service between Los Angeles and Chicago. Stops are made in New Mexico at Raton, Las Vegas, Lamy (Santa Fe), Albuquerque, and Gallup.

(2) Amtrak uses network television to reach many households in New Mexico. Network TV has proven its effectiveness in delivering messages with nationwide applicability such as on Amtrak's U.S.A. Rail Pass program and sales campaign.

Additionally, the cities of Albuquerque, Gallup, Lamy, Las Vegas and Raton received spot TV as well as spot radio advertising.

The U.S.A. Rail Pass program has also been promoted in New Mexico through national magazines such as TV Guide, Reader's Digest, the regional Sunset Magazine, and the Albuquerque paper, The Journal Tribune.

A market development analysis revealed that during the period including November 1976 through March 1977, Albuquerque produced U.S.A. Rail Pass revenue of 1 percent of the total Rail Pass sales, ranking it among one of the top 20 markets in the country for this program.

Familiarization trips have been conducted for travel agents to various cities and attractions in New Mexico. One familiarization trip was conducted from Los Angeles and San Diego to Albuquerque and Santa Fe (and also included participants from the Midwest) for orientations and presentations by the New Mexico Division of Tourism to ensure the direct exposure of the travel agents to the train service, cities, and resorts, in New Mexico. This will enable the agencies to better sell rail transportation and tour packages to their clients.

The Los Angeles reservation office tour seminar has been conducted to instruct tour group and sales representatives on "The Ways to Sell Groups and Individuals to New Mexico for Winter Skiing and Summer Vacations." This includes Amtrak's Taos ski package, which was introduced in 1976, using Amtrak to Albuquerque with transfer to Taos and return via Texas International.

Boy Scout group travel continues to be promoted for trips to Raton and Gallup. Amtrak participated in the U.C.L.A. Travel Fair during 1977 and 1978 to promote local and National Tour Packages to New Mexico (Greyline of Albuquerque).

Amtrak participated in the Travel Age West Show held October 7-9, 1977, in Los Angeles to promote the Great Southwest Tours, including Amtrak's National Tours to New Mexico, which includes the Navajo Nations and Hopi Cultural Center. Similar activities are being held in San Francisco for April 7-9, 1978.

Amtrak actively promotes four tour packages for New Mexico, which includes such places as Santa Fe, Carlsbad Caverns, Indian Culture Tours, Albuquerque, Chinle, Santo Domingo, Los Alamos, and San Ildefonso. Additionally, Amtrak will sponsor a booth and participate in the "DATO Pow-Wow" for international travel agents, which will be held in Albuquerque September 9-13, 1978.

Amtrak's budget cutback in FY 1978 has affected the scope of advertising activities, which has in turn necessitated the elimination of certain markets, among which has been Albuquerque.

New Mexico presently receives some advertising from national magazines and travel trade publications. Additionally, Amtrak's "Free Kiddy Ride" coupon promotion with Kellogg is nationwide in scope with 64 million cereal boxes carrying the Amtrak coupon in distribution including New Mexico.

Due to the already overwhelming public interest in this promotion, in addition to the 64 million cereal boxes, tear pads carrying the same coupon will be in distribution in most supermarkets in the U.S. including New Mexico.

3) Two Amtrak routes pass through New Mexico, the Southwest Limited (Chicago-Los Angeles), and the Sunset Limited (New Orleans-Los Angeles). The overall avoidable losses for these routes are:

Fiscal year 1977	Avoidable annual loss by route	Avoidable loss per passenger
Southwest Limited.....	\$7,236,000	\$24.04
Sunset Limited.....	4,150,000	38.79

4) All route planning functions normally handled by Amtrak have been temporarily assumed by the Department of Transportation according to Congressional mandate. Amtrak is making its data base and market projections available to the DOT planners. Until the results of the "zero-based" study are published and adopted, all presently operated Amtrak routes and frequencies are effectively frozen. Therefore, Amtrak is *not* currently planning to change either of the services in New Mexico.

Senator SCHMITT. When Amtrak initially considered purchase of the Northeast Corridor, a detailed analysis of maintenance estimates was supplied this Committee. How do these 1976 estimates compare with your actual maintenance experience to date?

ANSWER. In January 1976 Amtrak submitted to Congress its estimates of required funding for the Northeast Corridor Improvement Program. These estimates provided for emergency maintenance and for other actions required to support an immediate start on the rehabilitation project to take advantage of the 1976 work season and thus meet the completion goal set by the Congress.

Subsequent decisions placed control of the improvement project with the Department of Transportation, which chose to study the project for an additional year before starting work.

The DOT restudy resulted in a number of changes in both the proposed work program and the phasing of the work so that there is now only a limited correlation between what Amtrak proposed in 1976 and what has actually happened.

Senator SCHMITT. Amtrak is estimating \$83 million for FY 1979 to maintain the corridor. List the payments Amtrak will receive from Conrail, the Massachusetts Bay Transit Authority, and other users of the corridor. Does the \$83 million figure have these payments factored in?

ANSWER. Amtrak estimates that Northeast Corridor operations will cost approximately \$295 million in FY 1979. Of this total, an estimated \$83 million represents costs associated with ownership (not solely maintenance costs) that were formerly borne by the Penn Central and which became an added burden to Amtrak after April 1, 1976.

Amtrak does not receive direct payments from commuter agencies. These agencies contract with Conrail and the Boston and Maine Railroad for commuter operations. The railroads in turn reimburse Amtrak for services rendered.

During FY 1979 Amtrak will receive from Conrail an estimated \$34 million for freight usage of the Northeast Corridor and an estimated \$35 million for support of commuter service operations in the northeastern states. These freight and commuter reimbursements were fully offset against cost before determination of Amtrak's projected deficit.

Senator SCHMITT. It has been decided that approximately 400 miles of the Northeast Corridor will have concrete ties. The contract has been awarded. Have the ties been delivered yet? If so, how many have been laid? How long are these ties expected to last compared to the creosote ties? When a train jumps the track will the ties withstand the impact of the wheels or will they require replacement? What long-term maintenance savings are expected as a result of the program?

ANSWER. No concrete ties have been delivered to date, and therefore, none have been installed. Creosoted ties have an expected life of 25 years. The projected life for concrete ties is 50 years. If there is a derailment, in all probability the

concrete ties in the affected area will have to be replaced. Of course, many wheel-cut wooden ties must be replaced after a derailment, also. The long-term maintenance savings are expected to be roughly \$50,000 per mile, based on the difference of the life of material used in the creosoted tie and the concrete tie.

In all of our technical comparisons of wood and concrete ties, the concrete tie performs a better function in preserving the geometry of the track not only by keeping the rails parallel in transmitting loads to the subgrade but also by making an important contribution to the strength of the frame as a whole by keeping the planes in their respective positions and preventing vertical and lateral displacement under the effect of the dynamic action caused by vehicles on the track. The concrete tie has a greater weight creating better lateral track strength and greater inertia to vertical movement resulting in more efficient absorption of high vibration frequencies imparted to the track by the passage of trains; thus there is less loosening of the ballast and a better tendency towards the prevention of the gradual formation of geometric defects in the roadway.

Senator SCHMITT. Mr. Reistrup, Congress has already provided in excess of \$45 million for the constructions and remodeling of Union Station and National Visitor Center. It now appears that the Department of Transportation and the Department of Interior will soon come to the Congress with a proposal to redesign the as yet unfinished structure with an additional price tag of somewhere in the neighborhood of \$50 million. I understand that Amtrak considers the facility inadequate as presently designed. Specifically what is Amtrak's difficulties with the present design? Is Amtrak cooperating with the two departments to work out a better and more efficient design? How early in the construction stages did Amtrak make their objections to the present design known to the two departments?

ANSWER. Rail passenger facilities as they presently exist (Replacement Station, Phase I) are not adequate to meet current passenger demand for rail passenger service and do not permit the most efficient operations.

(1) The station is not conveniently accessible to passengers. A long circuitous route through the National Visitor Center, then a through temporary connecting passageway is required; a distance of more than 700 feet from the front curb to the trains. Passengers must push or carry their own baggage the entire distance.

(2) No long-term (more than 1-hour, or full-day) parking is available, which is essential to the marketing and provision of rail service, especially for business travel in the heavily traveled Washington-Philadelphia-New York-Boston corridor. Long-term parking was previously available but it was removed.

(3) Space in station is not sufficient to accommodate current heavy travel period patronage and does not provide sufficient space needed for operational facilities.

(4) Access for the handicapped is extremely difficult and there is no elevator service to the lower tracks (used by all trains to or from the South. Elevators were previously available but were removed.

Even with the completion of the east end of the "replacement" station, this facility would not be adequate to meet the near-term (1980-82) projected operating and space requirements, and this would not resolve the access, parking or space problems.

Space required for train-support facilities at the station (commissary, maintenance, train-turnaround service) necessary to support projected corridor service levels is not available under the present plan. Much of this work now has to be done at the Ivy City yard, which will have an adverse effect in trying to meet required schedule times in the upgraded corridor and will also result in increased operating costs.

Amtrak has continually expressed its concern and disagreement with the planning and design that resulted in the conversion of the entire main station, building to the National Visitor Center as the plans did not give adequate consideration to growing rail service requirements. Amtrak has cooperated with both the Department of Transportation and Interior wherever possible and has participated directly in negotiations and as appropriate, participating to the extent possible in planning, design and construction activities throughout this period in an attempt to assure that adequate rail service would be maintained.

The Department of Interior (National Park Service) has had absolute control of the project under previous agreements with railroads and under the terms

of The Federal National Visitor Center Act. Amtrak and DOT have been powerless to effect a redirection in this project through any channel. In 1974, Amtrak even filed suit and actually halted construction on the grounds that the plan at that time did not include provisions to assure effective continuation rail service. The suit was withdrawn when a compromise solution (the temporary replacement station design) was developed and agreed to by then-Amtrak-President Roger Lewis. It should be noted that this was before the Northeast Corridor Improvement program was enacted and funded.

Over the past six years, Amtrak has worked continuously and closely with the Department of Transportation in the development of alternative plans (both permanent and temporary) and proposal of modifications to the Visitor Center plans in an attempt to assure the continuation and provision of adequate rail service.

We have worked directly with the Department of Transportation and their consultants, Skidmore, Owings and Merrill, in a series of comprehensive studies and evaluation of alternative plans for Washington Union Station over the past three years, which would accommodate both rail facilities and the National Visitor Center and allow ultimately for the development of an intermodal transportation terminal at this location.

The proposal that is currently before your committee, presented jointly by the Secretaries of Transportation and Interior, is the final result of this effort. Amtrak supports the proposed plan as the most realistic and effective approach for future development. However, we should note that at the request of the Committee on Public Works and Transportation Amtrak has supplied that committee with a set of limited design alternatives and a suggested way that the work could proceed on a time-phased basis.

A copy of this material has been supplied for the files of the Senate Committee on Commerce, Science and Transportation as well.

Senator SCHMITT. How successful has the U.S.A. Rail Pass been so far? What percentage of new riders do you feel could be attributed to the U.S.A. Rail Pass program?

ANSWER. During 1977, 265,400 riders purchased a U.S.A. Rail Pass. Surveys taken to monitor the program have consistently indicated an incidence of first-time riders of 70 percent or greater. In May 1976, 77 percent surveyed were first-time riders; in May 1977 this figure was 75 percent, and in the summer of 1977 72 percent were new riders.

Senator SCHMITT. We are concerned about the effectiveness of tying in Amtrak with intercity bus service. Has any progress been made regarding joint ticketing with bus companies and Amtrak? Specifically, do any cities have Amtrak shuttles to train stations? Do any bus lines have Amtrak "feeder service"? Is any proposed? Wouldn't this enhance service to both modes? Has through ticketing with discounts on both modes been tested?

ANSWER. Amtrak's Intermodal Program is predicted upon establishing connecting arrangements with other carriers (bus, rail, steamship, air and limousine or taxi) wherever it serves the traveling public's interests as an extension of rail travel. Bus carrier are the primary interface with Amtrak in the development of an integrated intermodal system.

At the present time, we have agreements with 50 different bus companies for either interstate or intrastate service as an extension of our rail passenger service. Seventeen are intermodal, which means that the bus meets Amtrak train arrivals and departures at the Amtrak station; Amtrak through ticketing is accepted by the bus carrier; bus information is carried in our automated nationwide reservation system, timetables and tariff manual. Three bus companies are under a contract arrangement to provide charter service to and from Amtrak stations to specific end points, i.e., Oakland-San Francisco; Petersburg-Norfolk, Virginia, and Tacoma-East Auburn, Washington.

Thirty other bus companies are under agreement to provide connecting service with Amtrak and accept Amtrak tickets. These agreements do not require pick-up or delivery of passengers at the Amtrak station, but arrive and depart from bus terminals near our stations. These carriers are also listed in our timetables and tariff manual showing the appropriate information for passengers and ticket agents.

All 50 bus carriers accept Amtrak through tickets. Only Greyhound issues a joint ticket good on both our companies. The balance of the bus carriers are offered Amtrak ticket stock, which enables them to write a joint ticket if they wish to do so.

A universal two-way joint ticketing system with all connecting carriers is a long-range objective. At the present time, the wide disparity in tickets and fares presents a revenue-accounting problem. Amtrak and the other carriers agree it is currently in the best interests of all concerned to continue with the present general ticketing procedure. While presently there are no agreements that provide for through ticketing with a discount, as late as last year Amtrak proposed to Continental Trailways a concept of a single Amtrak-Trailways ticket to permit the traveling public to reach practically any city in the U.S. under a highly competitive joint fare.

Amtrak is dedicated to the goal of a complete interchange of passengers between all modes of intercity public transportation at a minimal inconvenience to the traveler.

We are also developing the outlines for a possible demonstration program in cooperation with the federal government involving the development of a funding mechanism to equalize any disparities in revenues between cooperating carriers because of fare or handling-cost differentials. Other modes of passenger transportation would also participate.

Senator SCHMITT. I am curious about your advertising budget. How much of your budget is devoted to advertising in the various media? What has been your most successful advertising and marketing program? Are you able to determine what degree of increase ridership can be directly attributed to new and innovative advertising and marketing techniques?

Advertising budgeted to various media

ANSWER. In 1977, Amtrak's advertising spending was distributed as follows:

Network TV	\$2,211,000
Spot TV	3,817,400
Radio	514,400
Newspapers	1,951,200
Magazines	743,100
Production	850,200
Total	10,087,000

Media—In order to be effective, Amtrak's messages must reach large numbers of potential travelers with frequency and continuity—Amtrak's advertising must be highly visible. All types of media are considered. The combination used in any campaign depends on the job to be done and appropriateness of the media available in terms of creative impact, market coverage and cost efficiency. The following are examples of these considerations:

Spot TV permits the showing of train-riding experience in the most realistic and dramatic manner. TV has repeatedly proven its effectiveness in building Amtrak ridership. Spot-TV messages can be customized to specific large markets where the delivery of a big idea is possible, i.e., where trains are being given the new Amfleet equipment or in our "Amtrak sure beat driving" campaigns.

Network TV has proven its effectiveness in delivering messages with nationwide applicability since the same message feeds into every market on the network, i.e., for the USA Rail Pass program.

Radio: While lacking the visual delivery of TV, radio combines the ability to catch attention and influence attitudes with an upbeat sound while still permitting a great deal of flexibility in delivering local information. Amtrak currently uses a prerecorded format into which local Amtrak news can be inserted, i.e., information about new service or new fares.

Newspapers provide the main means of delivering local fare and destination advertising. While lacking the flexibility of broadcast media, they provide information in a way in which the reader can spend time studying the details needed to take further action.

Magazines provide good access to that segment of the public that represents light TV viewing. Long leadtimes limit their flexibility for announcing news when the exact scheduling of an event is uncertain. However, regional magazines targeted toward professional or managerial audiences have been used effectively in support of the Metroliner in the Northeast Corridor. Magazines are also used to reach special-interest audiences such as the travel trade and the military.

Other: Various markets offer special media opportunities that receive special consideration. For example, *Transit* advertising has been used effectively in Chi-

cago and New York City in support of Florida off-season fares. *Commuter Car Cards* and *posters* have been used effectively in support of the Metroliner service.

Most-successful program

Communications research and ridership indicate that Amtrak's marketing, copy and media strategy worked as the Amtrak system turned around by mid-year 1976, which we attribute to the "hub and feeder markets" concept and the multimedia advertising used to implement this marketing strategy.

Research in Los Angeles conducted before and after advertising appeared showed that 87 percent of the general population could correctly identify "Amtrak" as a passenger railroad. This was a gain of 50 percentage points in four months.

The advertising opened people's minds to Amtrak and they responded with action—the purchase of Amtrak tickets in *all* the hub and feeder markets. For the period January through June 1976, the hubs increased 9 percent compared to the year-earlier period, and the feeders increased by 5 percent. The marketing objective of achieving new users was verified by on-board research. In a June 1976 survey covering almost 6,000 passengers throughout the system, 54 percent of the passengers indicated they were on their first Amtrak trip.

As a result of this successful January-June effort, the advertising budget was increased 66 percent to \$5.8 million for July-December. The results for the second half of the year were even more impressive as Amtrak's advertising momentum built. At year end, Amtrak achieved an all-time high ridership of 18,600,000 passengers. More than 1,250,000 additional riders took a trip on Amtrak in 1976 compared to 1975. Revenue increased by \$36 million. Amtrak station sales increased \$18 million, with \$17 million accounted for by the hub and feeder markets. The return on hub and feeder market advertising was \$2.75 of added revenue per advertising dollar invested. Travel-agent sales increased \$12 million. The USA Rail pass accounted for \$6 million in less than nine months of marketing.

Long-distance trains increased 16 percent in passenger ridership compared to a 9 percent decline the previous year—a total swing of 25 percentage points. The short-distance trains increased 5 percent compared to a 6 percent decline the preceding year—an overall change of 11 percentage points. Both first-class and coach travel gained. The volume of telephone calls to Amtrak's reservations centers gained momentum throughout the year, and one day during the Christmas period achieved a record 85,000 calls. Competitively, Amtrak showed the greatest percentage increase among common carriers in 1976. Domestic revenue passenger miles for Amtrak increased 9 percent compared to 1975 while airlines increased 6 percent and bus increased 1 percent. Thus Amtrak's competitive share improved.

It is very doubtful that nearly as much of this improvement would have been registered had we not been able to inform our potential market via the use of commercial media.

Improvement attributable to advertising and marketing techniques

Some credit for ridership and revenue increases must of course be given to Amtrak's new equipment, fare adjustments, and to widespread news coverage we received. The new equipment (and the improved older equipment) in turn has made it possible to more effectively promote our service. There can be no doubt that advertising and promotion has been an absolutely essential component in the improvements achieved.

Senator SCHMITT. Our Committee has received several letters regarding your advertising campaign with Kellogg cereals. Describe for us Amtrak's participation in the program and projected increased ridership and revenues. Also describe the success, if any, this program experienced in Great Britain.

ANSWER. Amtrak's responsibility in this joint tie-in promotional effort with Kellogg is to provide free rail transportation for any child under 12 years of age who is accompanied by a full-fare paying adult pursuant to a coupon return.

To test the "free Kiddie Ride" concept a test was run, using a newspaper ad coupon, for a short period in 1977. The experience from the test combined with information from Kellogg about expected responses from package coupons allowed projections to be made.

Amtrak estimates that 160,000 coupons will be redeemed, generating 430,300 passengers. Based on this projected response, total transportation revenue should be \$8,769,900.

According to British Railways, specific details on sales during the promotion are not known. However, this promotional activity received a Gold Award from the Sales Promotion Executive Association Awards for 1976.

Senator SCHMITT. The problem of "No Shows"—people who made reservations but don't actually show up for the trip—is a problem for all modes of transportation. What is Amtrak's experience with No Shows? What policies or procedures have been adopted to minimize financial loss? Is overbooking used to offset the effect? If so, what is your policy regarding passengers "bumped" because of overbooking?

ANSWER. No shows are, as the question correctly notes, a problem for all transportation companies.

In an attempt to keep no shows within a manageable level, the procedures have been developed and published as Section 306.3 of Amtrak's Reservation and Ticketing Manual. (A copy of this Section has been supplied to the Committee.) These procedures are strictly enforced. This has helped in keeping no shows at Amtrak's present level of 8 percent. Amtrak does not overbook any of its sleeper accommodations which include drawing rooms, bedrooms, roomettes, and double or single slumber coach accommodations. Coaches are "overbooked" in some instances where no-show patterns are evident but such overbooking is not permitted to exceed 2 percent of the programmed coach seats planned for a given train.

Every effort is made to ensure that no passengers are "bumped". Standee problems are mostly on non-reserved trains during peak travel periods. On reserved trains, "overbooked" passengers can usually be accommodated in non-revenue seats or they can be upgraded into first-class accommodations at no extra charge.

NATIONAL RAILROAD PASSENGER CORPORATION

RESERVATIONS
AND TICKETING MANUALBulletin
Number 306.3

306.3 - ESTABLISHING RESERVATION HOLD LIMITS

GENERAL

A reservation is only a tentative agreement until ticketed. and should be clearly understood by all AMTRAK employees, travel agents and passengers. In most instances, a ticketed reservation is a firm reservation and seldom deteriorates into a late cancellation or no-show. All CRO and ticket office employees must realize how important the hold limit is in guaranteeing sold space.

It is necessary, therefore, to make sure the customer is aware of his hold limit at the time of booking the reservation.

The exercise of good judgment in handling customers who resist minimum hold limit requirements is essential. Whenever such an incident occurs, refer the call to a supervisor to correctly evaluate the situation.

AMTRAK's policy is to ticket a customer's reservation as far in advance of scheduled departure as possible, consistent with the customer's interest and the requirements of applicable regulations. However, the hold limit cannot be less than the minimum limits outlined in the following sections.

➔ Following are the hold limits as assigned by ARTS.

For Reservations Confirmed	Latest Purchase Date Is
0 to 2 days before departure	30 minutes before departure
3 to 7 days before departure	2 days before departure
8 to 21 days before departure	5 days before departure
22 to 45 days before departure	15 days before departure
46 or more days before departure	30 days before departure

HOLD LIMIT POLICY

The ARTS system will automatically establish a reservation hold limit when the first (originating) segment of a passenger's itinerary is confirmed.

➔ These same limits must be assigned to a reservation when it is a free sale or when ARTS is down.

Issued: 06/28/76
Cancels: 09/05/75

Page 1

Correction
No. 0407

NATIONAL RAILROAD PASSENGER CORPORATION

RESERVATIONS
AND TICKETING MANUALBulletin
Number 306.3306.3 - ESTABLISHING RESERVATION HOLD LIMITS (contd)HOLD LIMIT POLICY (contd)

Although the hold limit cannot be manually entered in the PNR at creation; however, it can be changed with an AR4 interaction. Before such a change is made, approval of a supervisor is necessary [agents should indicate the supervisor's name in the AP5 field - e.g. AP5 (SUPV DURNING APPVD NEW HL)]

➔ When changes are made to an existing PNR using the AR1, AR2, or AR3 interaction, the hold limit will either remain the same or change to a later date of departure. It is important that the new limit, when assigned, be given to the passenger.

RESERVATIONS OFFICE RESPONSIBILITIES

All reservations bureaus will be responsible for the following items relating to establishment and enforcement of reservation hold limits:

1. Informing confirmed passengers of the reservation hold limit;
2. Accurately ticketing reservations when remote offices call;
3. Immediately releasing cancelled space back into inventory for possible resale.

TRAVEL AGENT'S RESPONSIBILITIES

All travel agents will be responsible for the following items relating to establishment and enforcement of reservation hold limits.

1. Informing confirmed passengers of the reservation hold limit;
2. If the agent holds AMTRAK ticket stock, he must advise the R&I clerk that he is issuing tickets so that the TK interaction may be performed to avoid possible cancellation of the reservation. The R&I clerk is responsible for obtaining the ticket numbers of the tickets issued and inserting them in the AP3 of the PNR;
3. If the agent does not hold AMTRAK ticket stock or cannot give the numbers of the tickets issued, the TK interaction cannot be performed and the assigned hold limit is in effect. The agency must call back before that deadline. (An AMTRAK affiliated travel agency must always provide ticket numbers before the TK interaction can be completed.)

Issued: 6/15/77

Cancels: 12/03/76

Page 2Correction
No. 0578

NATIONAL RAILROAD PASSENGER CORPORATION

RESERVATIONS
AND TICKETING MANUALBulletin
Number 306.3306.3 - ESTABLISHING RESERVATION HOLD LIMITS (contd)TRAVEL AGENT'S RESPONSIBILITIES (contd)

4. Notify the reservation bureau immediately upon cancellation of reserved space.

AUTOMATIC SYSTEM CANCELLATION

In order to best utilize our available inventory, principally that space which has been reserved but not ticketed, AMTRAK uses an automatic cancellation by hold limit. By employing a special interaction at the CPU in Washington, unticketed space for the previous day's hold limits, is automatically cancelled. No list of passenger's names is generated and consequently no call backs are made to passengers whose hold limits have expired - only an automatic cancellation takes place. Therefore, the following items are of great importance and must be adhered to faithfully:

1. Informing customers of their assigned hold limits and that tickets are not purchased by that date will have all reserved space automatically cancelled.
2. The R&I clerk and ticket agent must make sure that all accommodation numbers (A#) are included in the ticket expression. Those tickets which are not printer-producible must still have all associated A#'s properly referenced in ticket expression.
3. All reservations which are cancelled by telephone for a passenger and rebooked for future date must have the ticket expression redefined to protect the proper A#'s. Remember that ARTS will automatically update the hold limit if necessary.

Issued: 06/28/76
Cancels: 09/05/75

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Correction
No. 0407

NATIONAL RAILROAD PASSENGER CORPORATION

Amtrak



RESERVATIONS MANUAL

Bulletin
Number 306.10306.10 - REACCOMMODATION PROCEDURESDEFINITION

Reaccommodation is defined as the reassignment of passengers to space other than that originally reserved for them, due to the blanking of a consisted car line or the substitution for a regular line car of a car with a dissimilar interior configuration. It involves primarily sleeping cars, although coach can be involved when the capacity of a replacement car is significantly smaller than the consisted one.

Note that the definition involves the interior configuration - rather than the style - of the car. While every car style change (i.e. - a 10/6 replaces an 8/2) in this context will involve reaccommodation, so in some cases will a replacement of similar style but different interior configuration. For example, the ensuite combination in two 10/6 style cars may differ, causing the initiation of reaccommodation procedures for those passengers holding bedrooms.

POLICY

It is AMTRAK policy to reassign passengers to accommodations of equal or higher value whenever reassignment is required. This is done at no additional cost to the passenger when the reassignment involves upgrading. In those cars where the assignment to equal or better accommodations is physically impossible, those passengers who must be downgraded will be refunded the difference between the accommodation originally assigned and the one to which they are reassigned.

In all cases, the following policy chart will be the guideline used in making reassignments:

ORIGINALLY ASSIGNED	NUMBER OF OCCUPANTS	REACCOMMODATION PREFERENCE			
		1st	2nd	3rd	4th
SSC	1	SSC	DSC	RMT	BDR
DSC	1	DSC	RMT	BDR	SSC
DSC	2	DSC	2 RMT	BDR	2 SSC
RMT	1	RMT	BDR	DSC	SSC
BDR	1	BDR	RMT	DSC	SSC
BDR	2	BDR	2 RMT	DSC	2 SSC

NOTE: Where available space for reaccommodation is extremely tight, those preferences which assign single passengers to double accommodations, etc. should be passed over and the highest rated preference that matches the number of persons with the number of beds in an accommodation should be assigned.

Issued: 03/01/75
Revised: 05/15/73

NRP-136 (1-73)

Page 1

Correction
No. 0150

NATIONAL RAILROAD PASSENGER CORPORATION



RESERVATIONS MANUAL

Bulletin
Number 306.10306.10 - REACCOMMODATION PROCEDURES (contd)POLICY (contd)

It is also AMTRAK policy to notify the passenger of the reaccommodation prior to his arrival at the station for boarding. For passengers making the first move of an itinerary, this will involve a call to their home or place of business (time permitting) to advise them of the change. For passengers not resident to origin boarding point, it will involve a call to a hotel or place of business local to the boarding point when such information is available in the PNR. Of course, no attempt can be made to notify passengers when a contact, local to the boarding point, is not known.

RESPONSIBILITY

The responsibilities of the various departments and offices relating to reaccommodation will be as follows:

Line Operations Department

The Line Operations Department has the responsibility of notifying Central Control in Washington of all car line blankings and substitutions. Such notification will be as far in advance of train departure from origin as possible and will include enough information about the substitute car to allow determination of the exact interior configuration.

→ Central Space and Equipment Control

Central Space and Equipment Control has the responsibility of reacting to the notification from Line Operations by making the actual passenger reassignments required by the situation. This will be done based on information contained in ARTS. Once all the required reassignments have been made, a list of them will be transmitted to the Manager of Stations at the train origin point and to the Central Reservations Office nearest to that origin point.

→ Central Reservations Office(s)

The Central Reservations Offices (CROs) are given the responsibility of contacting (or attempting to contact) the passengers who are on the reaccommodation list provided by Central Control. All passengers with a PNR showing a contact at or near the boarding point are to be contacted.

Manager of Stations

The Manager of Stations at the train origin point is responsible for seeing that the list of reaccommodated passengers is

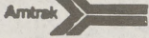
Issued: 09/05/75
Cancels: 03/01/75

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No. 0240

NATIONAL RAILROAD PASSENGER CORPORATION



RESERVATIONS MANUAL

Bulletin
Number 306.10306.10 - REACCOMMODATION PROCEDURES (contd)RESPONSIBILITY (contd)Manager of Stations (contd)

given to all concerned on-board personnel and to the appropriate station personnel at both origin and downline boarding points. He is responsible for notifying those passengers who have been reaccommodated when they arrive at his station for boarding.

→ PROCEDURE

Upon notification from Line Operations that a car is being blanked or replaced, Central Control will determine, through a special interaction with ARTS, the names, origin-destinations and accommodations of those passengers affected. This is called an APR - Affected Passenger Report and indicates the original accommodation and the new accommodation assigned (ARTS will reassign to like accommodations only.) Any unprotected passengers must be manually assigned new accommodations from any remaining unsold space on the train or substituted car, if any.

When all possible reassignments have been made, they are recorded on the "Reaccommodation Notice" (illustrated on page 4.) and transmitted to the Manager of Stations at the train origin point and to the CRO nearest to that train origin. Transmission will be accomplished by telecopier where offices are so equipped, and by message where telecopier equipment is unavailable.

When the local CRO receives the Reaccommodation Notice, the affected PNR's can be retrieved using the WRN interaction from the supplied reservation numbers. The Control Center indicates that during the call back effort, each PNR be updated through the AP 5 field showing;

1. The passenger was reaccommodated due to substitution/blanking; and
2. The results of the call back attempt.

Be sure to check the WP field of all PNR's containing "ENTER WP" as relevant data concerning the reaccommodation process may be notated. The Control Center will insert manually assigned train accommodations in the AP 5 field for passengers unprotected by ARTS from the Affected Passenger Report (APR).

Each PNR should contain a notation in the AP 5 field, regardless of the result of the call back. Such notations in the PNR's will facilitate post train investigations and provide a complete historical file of each train.

Issued: 09/05/75
Cancels: 03/01/75

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No. 0240

NATIONAL RAILROAD PASSENGER CORPORATION



RESERVATIONS MANUAL

Bulletin
Number 306.10

306.10 - REACCOMMODATION PROCEDURES (contd)

PROCEDURE (contd)

REACCOMMODATION NOTICE

TRAIN 3ORIGINATING CHION 4/18/75TO: Manager, Station ServicesFROM: Space and Equipment Control Center, WashingtonCOPY: CHIR

It was necessary to protect passengers holding confirmed space due to the following equipment changes on the subject train:

CAR <u>330</u>	FORMER STYLE: <u>11 BDR</u>	NOW <u>10-6</u>
CAR <u>331</u>	FORMER STYLE: <u>5 BDR</u>	NOW <u>BLANKED</u>
CAR _____	FORMER STYLE: _____	NOW _____
CAR _____	FORMER STYLE: _____	NOW _____

Please see that these passengers are correctly reaccommodated and that all on-board and downline station personnel concerned receive copies of this notice:

PASSENGER NAME	HOLDING CAR SPACE	FROM	TO	PROTECT IN: CAR SPACE	REMARKS
SMITH, V. (72430)	330 A	CHI	LAX	330 D	
JONES, A. (8246)	330 B	G-BA	LAX	330 E	
NILSON, B. (02420)	330 C	G-BA	PAS	330 F	
HALL, J. (4353)	330 D	CHI	LAX	330 1+2	AS BEST
MURPHY, L. (32841)	330 E	CHI	ABQ	330 3+4	AS BEST
DAVIS, D. (43035)	330 F	KCY	LAX	330 5+6	AS BEST
BUTLER, C. (26761)	330 G	CHI	LAX	330 7+8	AS BEST
TAYLOR, P. (67241)	330 H	CHI	LAX	330 9+10	AS BEST
MEAD, A. (33627)	330 I	G-BA	FLG	332 1+3	AS BEST
WHITE, L. (20046)	331 E	JOL	PAS	— CANNOT	
CROSS, C. (14338)	331 F	CHI	NEW	PROTECT —	

RON SCOLARO, MANAGER SPACE AND EQUIPMENT CONTROL
(202) 484-6250

PREPARED BY WilsonDATE 4/17/75

Issued 09/05/75
Cancels 03/01/75

NRP-136 (1-73)

Page 4Correction
No. 0240



ALL-AMERICA TRAIN FARES

Edition 6

CHAPTER 1 - RULES AND REGULATIONS - Continued

1ST REV. PAGE (1-B)-21
CANCELS
ORIG. PAGE (1-B)-21
Effective: DEC. 31, 1976

B-12 ACCOMMODATIONS CHARGES - Continued

(H) EMERGENCY SLUMBERCOACH CHARGES

When regular slumbercoaches are operated on an emergency basis between points where no slumbercoach charges are shown in the tariff, the charge will be the rail passage fare plus one-half of the roomette charge for each single slumbercoach room and one-half of the bedroom charge for each double slumbercoach room, between the points of travel. Charges will be rounded-off as in Table B, Chapter 5. Use Table B to establish charge.

Usual minimum ticket requirements for slumbercoaches must be observed.

(I) SECTION CARS

When sleeping cars containing open sections are operated on an emergency basis in berth service, the charge will be the rail passage fare, plus one roomette charge for each section. If the upper and lower berth in a section are sold separately, the charge for the lower berth will be two-thirds of the charge for a roomette, rounded upward when necessary to the next 5¢; and the charge for the upper berth will be one-third of the charge for a roomette, rounded upward when necessary to the next 5¢.

Minimum rail passage ticket requirements for upper or lower berths will be 1/2 adult rail passage tickets for both berth and seat service (plus 1 seat ticket for seat service). For an entire section, the minimum will be one adult rail passage ticket for both berth and seat service (plus 2 seat tickets for seat service).

(J) PROTECTION OF PASSENGERS

Passengers are occasionally displaced from the accommodations which they have bought or reserved as a result of changes in car styles, internal equipment problems in a car, duplicate sales, selling errors of wrong car, train or accommodation type, or mistaken accommodations. Displaced passengers are to be protected in equal or superior accommodations without additional collection for higher accommodations charges.

A passenger who misses an established connection at a point of transfer from one train to another, due to a late Amtrak train arrival, will be furnished accommodations of the type called for on the ticket if available, or accommodations of the nearest type available, on the next train, without additional fare collection for higher accommodations charges.

(K) ACCOMMODATIONS CHARGES FOR PASSHOLDERS WHOSE PASS IS GOOD FOR FREE ACCOMMODATIONS

(1) WHEN TRAVELING ALONE

▲Passholders whose passes entitle them to a certain accommodation at no cost, but who occupy an accommodation with a higher regular accommodations charge than that provided free, will be charged one-half the difference between the rate for the accommodation provided free and the rate for the accommodation occupied by the passholder (plus charges for any applicable additional minimum ticket requirements, as provided in the EXCEPTION to Section C-6 (K)). Use Table B to determine one-half of the difference in accommodations charges.



CHAPTER 1 - RULES AND REGULATIONS - Continued

ALL-AMERICA TRAIN FARES

Edition 6

1ST REV. PAGE (1-B)-22
 CANCELS
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 Effective: DEC. 31, 1976

B-12 ACCOMMODATIONS CHARGES - Continued

(K) ACCOMMODATIONS CHARGES FOR PASSHOLDERS WHOSE PASS IS GOOD FOR FREE ACCOMMODATIONS - Continued

(2) WHEN SHARING AN ACCOMMODATION WITH A PASSHOLDER WHOSE PASS IS NOT GOOD FOR FREE ACCOMMODATIONS

Passholders whose passes entitle them to a certain accommodation at no cost, but who share an accommodation with a passholder (or employee traveling at reduced rates) whose pass is not good for free accommodations, will be charged one-half the difference between the rate for the accommodation provided free and the rate for the accommodation shared. Use Table B to determine one-half the difference in accommodations charges.

NOTE

These provisions do not apply to passholders sharing accommodations with revenue passengers. (Revenue passengers are all persons not traveling on passes or paying employees' reduced rates). See Paragraphs (L) and (M) for applicable accommodations charges in such circumstances.

(L) REVENUE PASSENGERS SHARING ACCOMMODATIONS WITH PASSHOLDER WHOSE PASS IS GOOD FOR FREE ACCOMMODATIONS

- (1) Revenue passengers two years of age and over (for these purposes, this term includes all persons not traveling on passes or paying employees' reduced rates) sharing sleeping-car accommodations with passholders whose passes entitle them to a certain accommodation at no cost, will be charged the difference between the value of the accommodations passes, and the rate for the accommodations shared, if any.

Senator SCHMITT. Amtrak attempted to discontinue a vast majority of the "Red Cap" service this past year and was enjoined by the Interstate Commerce Commission. Describe what steps Amtrak has taken since that time to either continue Red Caps or provide other means of assistance to the handicapped and elderly who must have this assistance.

ANSWER. The initial decision on "Red Cap" personnel in the fall of 1977 was based on budgetary constraints and was confined to the Northeast Corridor stations. This decision was revised and countermanded at the corporate level by Amtrak President Paul Reistrup before the ICC injunction was issued. Since then, the number of regularly assigned Red Caps and Lead Red Caps at corridor stations has remained constant at 64. The number of relief Red Caps has been reduced from 15 to 11 with the reduction of four summer relief positions at Penn Station, New York. The number of Red Caps assigned as extra in the corridor (subject to call as needed but not regularly assigned) has been reduced from eight to six with two such extra positions at Washington being dropped because of retirements. We have attempted to maintain and increase the number of luggage carts available to passengers at corridor stations.

Amtrak is processing requests for capital improvements at major corridor stations such as Baltimore, Philadelphia 30th Street, Newark, New York and Boston South Station to assist the handicapped. Programmed improvements include automatic doors, curb cuts, special assistance and information signage, and curbside phone sand buzzers. Deteriorated elevators are being rehabilitated as funds become available. Down-line station-notification procedures have been developed to insure proper handling of the handicapped when they arrive at their destinations. All special service cars (food service cars) are equipped with special seating and toilet facilities for the handicapped. Experimental loading and unloading devices are being evaluated by Amtrak.

Over the national system, beyond the Northeast Corridor, service as normally provided by Red Cap continues to be offered at all Amtrak manned stations. At locations that do not have actual Red Cap positions, other station personnel have been assigned and are responsible to the maximum extent possible for the performance of Red Cap duties in addition to their other duties.

All Amtrak train and station personnel have been instructed to render every possible assistance to the aged or handicapped. Employee training now includes appropriate instruction for providing these services.

Also, Amtrak has purchased an additional 1,500 passenger luggage carts to supplement those already available in the stations. These were distributed to about 100 stations throughout the system nationally in early December 1977.

Senator SCHMITT. In the following categories:

1. Temperature Control.
2. Equipment Condition.
3. Personnel Relations.
4. Food and Beverage Service.

Describe the rate of consumer complaints over the past year and whether they are increasing or decreasing in each category.

ANSWER. During 1977, consumer complaints per 100,000 passengers were as follows for the specified categories:

Temperature control.....	17
Equipment condition.....	12
Personnel	8
Food and beverage.....	7

In comparison to 1976, the change in complaints per 100,000 passengers during 1977 was as follows:

	Percent
Temperature control (decrease).....	10
Equipment condition.....	(¹)
Personnel (decrease).....	22
Food and beverage (decrease).....	22

¹ No change.

Senator SCHMITT. Review for us your capital acquisition program for the past year. What has been delivered to date? What is the status of the bi-level cars for the Western states? When will delivery, service, etc., begin? What type of

contracts do you have with the manufacturer? Are they fixed prices or cost plus? My concern is with the labor strike delays and inflation eating away at production costs.

ANSWER. In Fiscal Year 1977, Amtrak's equipment capital acquisition program resulted in delivery of the final portion of the 492-Amfleet car order, all of the seven Rohr-built Turboliners, and 15 of the converted SDP-40 locomotives. As of mid-March in FY 78, 10 new F40 diesel locomotives and 25 more converted SDP40 locomotives have been delivered. A program of converting 25 sleepers and 30 baggage-coaches to head-end electric power also extended through those years.

Amtrak has an order with Pullman Standard for 284 bi-level (Superliner) cars, consisting of 102 coaches, 48 coach-baggage cars, 70 sleeping cars, 39 dining cars and 25 lounge-cafe cars.

The Pullman Standard strike of more than six month's duration was finally settled in early April. Delivery of the first car is estimated within the next three months, and Pullman estimates all cars will be delivered in the following 15 months. Service should begin with Trains 7 and 8 between Chicago and Seattle in approximately eight months after the end of the strike.

The contract with Pullman calls for fixed prices for each type of car but with an allowance for escalation of costs as measured by national indices.

The strike will not affect the fixed base prices of the cars but will result in more escalation costs.

Senator SCHMITT. I understand Amtrak is experimenting with increasing speeds around curves by testing a Canadian built train that actually tilts around curves. Obviously if the equipment performs well it would be much more economical to cut trip times with equipment than to transform curves into straight tracks. What is the status of test to date on this equipment?

ANSWER. The Canadian "LRC" train with a tilting body system is now under construction, for lease and delivery of a complete trainset to Amtrak scheduled in the third quarter of FY 79.

Amtrak participated in over 10,000 miles of testing of a prototype LRC locomotive and car at the DOT Transportation Test center in Pueblo, Colorado. In addition, tests were run at two locations in the Northeast Corridor, one above New Haven and the other near Princeton, New Jersey. These tests were run to demonstrate that by virtue of the lighter weight and lower center of gravity of this equipment the train could run on curves at high speeds with forces on the track and with comfort to the passengers equal to that of a conventional train.

When the production trainset is delivered, Amtrak will conduct a similar series of demonstration tests on the route between Portland and Vancouver (through Seattle). We also intend to make trial tests with the equipment on the Northeast Corridor between New Haven and Boston.

Senator SCHMITT. In 1973, Amtrak purchased 150 General Motors SDP-40F locomotives which have a six-wheel truck configuration. These locomotives have had a high rate of derailments around curves. I understand all of those locomotives are now slated for modification to a four-wheel truck configuration similar to the General Motors F-40-PH model. What will this eventually cost Amtrak considering downtime, repair, costs, derailment clean-up, and the initial cost of the six-wheel truck locomotives if Amtrak had purchased the four-wheel-truck locomotives in the beginning?

ANSWER. Following a number of derailments involving the SDP40 locomotive, speed restrictions were placed on their operation by certain (but not all) railroads and a joint Amtrak-FRA-AAR-General Motors testing program was begun. In order to restore schedules to their previous speeds during this period of testing, Amtrak began a program of lightening the weight of these units by converting from six-axle locomotives. As of mid-March 72 of Amtrak's 150 SDP-40 units have been committed to this program. A decision on the remainder will be made after a thorough analysis of the test results.

This conversion work is being done at the same time that these units were due to be taken out of service for a scheduled overhaul. The units were also scheduled to have head-end electric power generation substituted for steam boilers at the same time. The portion of the total cost assignable to the six-axle

to four-axle conversion is \$335,440 per unit. The identifiable or estimated costs to date of the derailments and conversions is as follows:

	<i>Million</i>
Property damage-----	\$13.75
Personal injury claim-----	1.16
Cost to unwind leveraged lease (72 units)-----	3.50
Conversion of the first 72 SDP40F's ¹ -----	24.15
Total -----	42.56

¹ Based on 1977 costs.

The estimated conversion cost of the remaining 78 locomotives is \$31.2 million. The estimated cost to unwind the leveraged lease for the remaining 78 units is \$3.8 million, for a total estimated cost of \$35 million.

Since no pricing of the F40PH locomotive exists for 1972 when the SDP40 locomotives were first purchased it is difficult to make the cost comparison between the actual purchase of the SDP-40 units and a theoretical purchase of F-40-PH units in 1972. As noted, downtime has been minimized by scheduling the conversion work to be done in conjunction with other major work.

Senator SCHMITT. What will be the specific cost to retrofit each of the six-wheel-truck locomotives? Has General Motors assumed any responsibility for the poor performance of these locomotives around curves of 2 degrees or more?

ANSWER. The specific cost to retrofit each SDP40F six-axle locomotive to the four-axle model was \$335,000 per unit in 1977 and \$390,000 per unit in 1978.

The locomotive builder, EMD, Division of General Motors Corporation, has been an active participant in a series of cooperative tests undertaken with the FRA, DOT and Amtrak, using the consulting services of Battelle, Ensco, Arthur D. Little and the DOT Transportation Systems Center to determine the exact cause of the derailments in question. The preliminary draft of the report is undergoing review but we understand that the analysis of the data collected thus far has failed to identify any specific design defect in the locomotive.

Senator SCHMITT. In hearings before House Appropriations, you testified that Swedish-built RC-4 engines were being used because General Electric had not been able to deliver a number of custom ordered E-60-CP locomotives. I believe you also advised that the GE model could not exceed 85 miles per hour. What is the status of the GE locomotive? Are any purchases contemplated? If the Swedish locomotive is considered more desirable, would it be manufactured in the U.S. under license?

ANSWER. A Swedish-built RC-4 locomotive was tested to determine if this successful lightweight electric locomotive's technology would be useful for Amtrak's high-speed Northeast Corridor service. Based on the combined results of testing this locomotive, a French unit, and the experience gained from operation of the General Electric E-60-CP locomotive, a specification was prepared for a new lightweight electric locomotive specifically designed for the improved corridor. The Electro-Motive Division of General Motors Corporation, a licensee of the Swedish firm, was the successful bidder and eight units are now on order. General Electric declined to bid on this locomotive.

The E-60-CP locomotive was built for speeds up to 120 mph. Amtrak's Northeast Corridor Operations Department operates 26 of these locomotives at normal track speeds of up to 80 mph (with an overspeed setting of 85 mph) to meet requirements of existing schedules. At a test area (No. 1 track east of Trenton to Rahway, New Jersey, on continuous welded rail) Amtrak has authorized operations at speeds of 90 mph. The higher speed on this particular track is allowed to test track disturbances that may be caused by this locomotive at speeds of 90 mph.

No additional purchases of this type of locomotive are contemplated, since it is felt that its weight (almost double that of the new EMD unit on order) would be injurious to the track at the speeds necessary to maintain mandated schedules on the upgraded corridor.

Senator SCHMITT. Recently, the Budd Co. exhibited a self-powered diesel engine rail car with long range capabilities. Does Amtrak have any plans to utilize equipment of this type? It would seem that this type of equipment would

be more economically feasible on long distance routes with low density ridership to maximize route efficiency and economy. I would appreciate your immediate comments on this issue. Also, please submit a more lengthy appraisal of this concept for economizing long haul routes together with other plans Amtrak has for minimizing operating costs on long haul routes without jeopardizing frequency.

ANSWER. Amtrak has initiated a two-phase approach to analyze the feasibility and benefits of using the SPV-2000 on the Amtrak system. However, currently Amtrak has no specific plans or programs to purchase the new Budd equipment.

The first phase consists of an in-house study that will quantify the economic benefits of using the SPV-2000 on Amtrak routes. Six routes (Springfield-New Haven, Washington-Cincinnati, Chicago-Carbondale, Chicago-Champaign, Detroit-Jackson, and Chicago-Dubuque), which have requirements that consist of four cars or less, have been identified as candidates for this type of equipment. It is anticipated that operational savings could be realized by replacing the conventional rolling stock on these low-ridership-density routes with the new Budd equipment. However, we will have to take into consideration the Interstate Commerce Commission regulations on service levels and their effect on capital and operating costs.

The second phase of the Amtrak analysis, which is being undertaken concurrently with the first phase, consists of an in-revenue service test of the SPV-2000 that the Budd Company and Amtrak have agreed to conduct jointly. This equipment will be operated in revenue service to test a "feeder-line" concept. The SPV-2000 will be switched off a train at a mid-route point to operate under its own power to a destination different from that of the main train. (For example, switching the car off a Boston-bound train at New Haven to operate to Springfield.)

Amtrak is actively pursuing the possibility of using the SPV-2000. However, regardless of the results of the analyses, no specific program will be initiated until the operational and economic studies are completed. The Department of Transportation's route restructuring study is completed and capital funding is made available.

Marketing perspective

A basic premise of the question as asked is that long-distance trains generally have low ridership density. In reality, of the approximately 19 long distance routes, only five of these carry fewer than 100 passengers miles per train mile on an annual average basis. However, of the approximately 16 short-distance routes outside the Northeast Corridor only three carry more than 100 passenger-miles per train-mile annually.

Amtrak's preliminary marketing research indicates that the Budd cars are best suited to low-density short-distance routes.

As to cost efficiencies on long-distance trains, there seem to be some conclusions possible from the brief Amfleet experience. The chief cost savings appear to be occurring as a result of staffing reductions in the diners, not from the equipment itself. It should be possible to design a new or rebuilt diner that is more labor efficient, yet is still acceptable to the passenger. The current arrangements on the Panama Limited and the Montrealer trains come closest to this concept.

Senator SCHMITT. Amtrak has been plagued with a missing 12.1 miles of track on the Boston-Chicago route which were taken up by the defunct Penn Central. What has been done to correct the situation? What is the replacement cost?

ANSWER. A capital authorization request for restoration of this missing section of track was approved by the Amtrak Board of Directors on January 25, 1978, but implementation of the work was made subject to the Department of Transportation's "zero-based" route study. The cost of this project is now put at \$4,061,000.

Senator SCHMITT. How many passengers did Amtrak serve in the past fiscal year nationwide? What was the per passenger per mile deficit average? Provide this Committee with a per-passenger-mile deficit breakdown for each of Amtrak's major routes.

ANSWER. Passengers served FY 1977 totaled 19.2 million. The average avoidable deficit per passenger mile in FY 1977 was \$0.0269. The avoidable deficit per passenger mile for each route follows:

Route-by-route avoidable loss, fiscal year 1977

	<i>Profit or (loss)¹</i>
Northeast corridor:	
Metroliners	\$0. 0469
NEC conventional	. 0064
New Haven-Springfield	(. 1024)
New York City-Harrisburg	(. 0260)
New York City-Philadelphia	(. 0181)
Philadelphia-Harrisburg	(. 0011)
Short distance:	
Chicago-Carbondale	(. 0125)
Chicago-Detroit	(. 0324)
Chicago-Dubuque	(. 0101)
Chicago-Milwaukee	(. 1081)
Chicago-Port Huron	(. 0639)
Chicago-Quincy	. 0073
Chicago-St. Louis	(. 0119)
Los Angeles-San Diego	(. 0040)
Minneapolis-Duluth	. 0064
New York City-Buffalo/Detroit	(. 0454)
New York-Montreal	(. 0149)
Oakland-Bakersfield	(. 0997)
Seattle-Portland	(. 0698)
Seattle-Vancouver	(. 0480)
Washington-Cincinnati	(. 1387)
Washington-Martinsburg	(. 0266)
Long distance:	
Boston-Newport News	. 0080
Chicago-Florida	(. 0663)
Chicago-Houston	(. 0514)
Chicago-Laredo	(. 0830)
Chicago-Los Angeles	(. 0223)
Chicago-New Orleans	(. 0179)
Chicago-New York City/Boston	(. 0392)
Chicago-New York City/Washington	(. 0232)
Chicago-San Francisco	(. 0575)
Chicago-Seattle (N)	(. 0688)
Chicago-Seattle (S)	(. 0937)
Chicago-Washington	(. 1062)
Kansas City-New York City/Washington	(. 0443)
Los Angeles-New Orleans	(. 0387)
Los Angeles-Seattle	(. 0299)
New York-Florida	(. 0271)
New York-Savannah	(. 0071)
Seattle-Salt Lake City	(. 0351)
Washington-Montreal	(. 0757)

¹ Per revenue passenger mile.

Senator SCHMITT. Last year before the Appropriations Committees, Amtrak testified that a 26% ridership increase in long distance trains was realized. What have been the comparable figures for this past year?

ANSWER. Final data indicate that the growth in passengers on long-distance trains increased 23 percent in FY 1976 over FY 1975. This growth dropped substantially for FY 1977 to only 2 percent over FY 1976.

However, FY 1977 was affected by extraordinary circumstances. The winter was particularly severe, causing cancellation or interruption of several long-distance services. Further, the winter situation had effects that continued far beyond the actual periods of severe weather. Cars damaged by freezing conditions had to undergo unforeseen repairs, and some cars were not economically repairable. The end result caused car shortages, which continue to this date, limiting capacity and growth potential.

Senator SCHMITT. What expenses for snow removal have you experienced above and beyond what was budgeted? How has the snow affected your new/old equipment operations, vis-a-vis freezing components, etc?

Northeast Corridor

ANSWER. The storms of January and February increased Amtrak's Northeast Corridor expenses for snow removal above and beyond what had been budgeted by \$3.8 million.

Snow conditions adversely affect locomotives and cars as well as track, signals, switches. Metroliner cars, because of electrical design problems, cannot operate effectively in dry-snow conditions. The Metroliner overhaul program, when completed, will correct this condition. All other Amtrak Northeast Corridor equipment, new, or old, have now had necessary modifications to permit them to operate reasonably effectively in snow.

National Operations

Amtrak's budget for operations beyond the Northeast Corridor, compared to actual expenses for snow removal, is as follows:

	Total budget (December, January, February, March)	Actual ex- pense (through January 1978)
Contract railroads.....	42,000	29,995
Amtrak's Chicago facilities.....	23,000	54,179
Amtrak's Michigan district.....	13,100	22,077

The actual expenses for the month of February are not yet available. However, they are expected to be as high or higher than the expenses shown above for the December-January 1978 period.

The generally milder temperatures nationally for the 1977-1978 winter season as compared to the 1976-1977 season has resulted in substantially fewer freeze-damaged cars. To date, this season, we have had 111 frozen cars compared to 301 for the entire season last year. All of these cars have been of the older conventional variety. Also, we have experienced some minor problems with a few Amfleet cars due to collection of snow in the door tracks, which has prevented proper operation of the doors. This problem is being studied for a preventive solution.

Senator SCHMITT. Amtrak filed suit against the Penn Central trustees and the Chesapeake and Ohio Railroad to rehabilitate certain lines which were allowed to deteriorate in violation of the Amtrak Agreement. Identify the specific lines in question. Are trains being routed over these lines? Is Amtrak experiencing any extraordinary costs because of the poor state of repair? What is the status of the litigation?

ANSWER. Amtrak has filed three arbitration proceedings before the National Arbitration Panel against the Penn Central Trustees alleging that the following rail lines had deteriorated in violation of the Amtrak Agreement:

(1) The former Penn Central (now Conrail) rail lines between Kankakee, Illinois, and Cincinnati, via Indianapolis; and between Louisville and Indianapolis (NAP Case No. 11, filed January 11, 1973 and decided in favor of Amtrak February 3, 1976);

(2) The former Penn Central (now Conrail) rail lines between Harrisburg and St. Louis, via Pittsburgh; and the lines from Pittsburgh to Chicago (NAP Case No. 36, filed March 26, 1976); and

(3) The former Penn Central (now Amtrak) rail lines between Boston and Washington (NAP Case No. 37, filed March 26, 1976).

Since May 1, 1971, Amtrak trains have been routed over the lines identified in items 2 and 3 above. Since August 2, 1974, Amtrak trains have not been routed over the former Penn Central rail lines between Kankakee and Cincinnati and between Louisville and Indianapolis because the extreme deterioration which had occurred prompted the Federal Railroad Administration to condemn as unsafe portions of the trackage along this route and to order that all passenger and freight service over this route be terminated. Presently Amtrak service between Chicago and Cincinnati is routed over the lines of the Chesapeake and Ohio Railroad Company and between Chicago and Louisville over the lines of the Louisville and Nashville Railroad. Recently, Amtrak and the Penn Central

Trustees entered into an agreement which settles the above-referenced arbitration proceedings, along with other claims Amtrak has against Penn Central Trustees and the Trustees have against Amtrak. Generally, the agreement provides for payment to Amtrak of \$15 million in cash over an approximate two-year period and \$25 million in notes paying 8 percent interest compounded annually. The notes are payable from the proceeds of the Trustees' valuation case proceedings pending before the Special Court established by the Regional Rail Reorganization Court for approval.

Amtrak has never undertaken any legal proceedings against the Chesapeake and Ohio Railroad with respect to rehabilitation of its rail lines. Amtrak did, however, in 1974 arbitrate with Chessie to use Chessie's lines between Cincinnati and Chicago for operation of Amtrak trains. The decision of the arbitration panel upholding Amtrak's right to use such lines was confirmed by the United States District Court for the Southern District of Indiana and upheld by the United States Court of Appeals for the Seventh Circuit in a decision issued March 4, 1977. The Settlement Agreement with the Penn Central Trustees does not affect the arbitration decision with respect to Chessie.

The question of whether Amtrak is incurring extraordinary costs because of the deteriorated track conditions is difficult to answer with precision. The hardest element to quantify is lost revenue due to the schedules being less attractive and because of poor on-time performance. In addition, there are incremental crew costs due to the longer running times, and incremental fuel and equipment-wear costs where mileage has been increased.

Senator SCHMITT. Amtrak's Board of Directors recently rejected an arrangement to transfer operation of the Southern Crescent passenger service (Washington-New Orleans) from Southern Railway to Amtrak. Please explain the reasons for their action. What efforts are now being made to negotiate an acceptable agreement?

ANSWER. The following is an excerpt from the approved minutes of Amtrak's March 1, 1978, Board meeting dealing with the related questions of the Southern Crescent service and the Department of Transportation route restructuring study:

"Mr. Gallamore distributed to each Director a paper entitled 'Amtrak Route Study Status Report'. He stated that there has been introduced proposed legislation that would provide for the Secretary of Transportation to publish preliminary recommendations for a route structure on May 1, 1978. The proposed legislation also provides for public hearings to be conducted by the Rail Services Planning Office (RSPO) and for RSPO to submit hearing results and an evaluation to the Secretary by September 30, 1978, with the Secretary's final recommendations going to Congress by December 31, 1978. Mr. Gallamore further reported that the Department is proceeding in accordance with its presentation to the Board of January 25, 1978.

"Mr. Reistrup informed the Board that Southern Railway Company has approached the Corporation to take over the operation of the Southern Crescent, Southern's train serving Washington, Atlanta and New Orleans. He stated that Southern is preparing to file with the Interstate Commerce Commission on March 3, 1978, a request for a discontinuance of service. He reminded the Board that the Corporation has been negotiating with Southern in order to reach a satisfactory operating agreement. He added that the Corporation and the railroad have reached agreement in principle with respect to an operating agreement based on the pattern established by the second amendment agreements that the Corporation has entered into with many of its contracting railroads.

"He reviewed for the Board four major differences between the Basic Agreements as amended by second amendment agreements and the operating agreement proposed with the Southern Railway Company. These differences dealt with basic operating costs, access to Southern Railway lines, business travel privileges, and consideration for undertaking operation of the Southern Crescent. The Board discussed these differences. Mr. Jacobs asked why the Corporation would contemplate taking over operation of the Southern Crescent when the Amtrak system is frozen and the Corporation is short of funds. Mr. Reistrup stated that approval of the contract would be subject to being ordered by a joint resolution of Congress to operate the train. He stated that if the Corporation is ordered to operate the train at some later date, it is likely that an operating agreement less favorable than that proposed today would result. Mr. Lorentzen stated the view that the Southern Railway Company had the opportunity to join the Amtrak system in 1971 but declined to do so. He noted that approximately \$4 million of

the consideration that Southern would pay to the Corporation for undertaking operation of the Crescent represents the value of the Southern equipment. He stated that he considers this value to be disproportionately higher than the value placed on equipment purchased from the original Amtrak contract railroads. He expressed the view that Southern should not be given more favorable treatment for having foregone its opportunity to join the Amtrak system in 1971. On motion for Mr. Lorentzen, seconded by Mr. Mills, it was voted that the Board not consider the proposed operating agreement between the Southern Railway Company and the Corporation."

The Board, at the subsequent meeting on March 29, 1978, decided to not consider the matter further until the publication of the department's preliminary recommendations, due on May 1.

Senator SCHMITT. Amtrak has negotiated incentive contracts with its operating railroads to encourage better performance. Last June GAO criticized these contracts as very costly but ineffective. What changes, if any, has Amtrak made in response to GAO's suggestions.

ANSWER. The General Accounting Office report of June 8, 1977, concluded in regard to the incentive contracts of 1974 (First Amendment Agreements), that few benefits resulted from the costs incurred. The report specifically commented that the improvement in on-time service noted during the life of these agreements was primarily attributable to easy schedules, application of an overly generous tolerance for determining on-time arrivals, a low baseline (65 percent of on-time performance) above which incentives were paid, aggregation of performance of all trains into one figure for the determination of railroad's on-time performance for incentives, and lack of a penalty for a poor on-time performance.

Prior to the GAO report, Amtrak was aware of these deficiencies in the First Amendment Agreements and had taken steps to correct them. In the nine Second Amendment Agreements negotiated and signed to date, Amtrak has been successful in negotiating shorter schedules with seven of the railroads. The other two were not reduced because the present schedules were considered to be realistic.

The tolerances used in determining whether a train is on time were reduced so that a five-minute tolerance is now granted for trips up to 400 miles, and 10 minutes for trips over 400 miles. (First Amendment tolerances were based on Interstate Commerce Commission tolerances of up to 30 minutes.) Incentives are paid based upon the performance of individual trains rather than the aggregate performance of all trains on the railroad, and the baseline performance which the railroad must achieve before incentives can be earned was raised from 65 percent to 80 percent. Five of the Second Amendment Agreements also provide for a penalty for poor on-time performance.

The success of Amtrak's efforts to improve upon the incentive provisions adopted in the First Amendment Agreements is clearly recognized by the GAO in their report, which states: "Current Amtrak management recognized the serious deficiencies in the First Amendment Agreements and, in new agreements, tried to structure incentives more realistically and make them contingent on actual performance. Amtrak management deserves a compliment for its efforts; however, as discussed previously, there are still problems which should be corrected".

The one important item identified by the GAO which Amtrak has not yet been successful in incorporating into agreements is the measurement of on-time performance at major intermediate points. The railroads have resisted intermediate check points for purposes of calculating incentives because of the greater risk involved in delivering a train on time at each intermediate point in addition to the end point.

Amtrak is pleased with the progress it has achieved in its legal relationship with those railroads that have entered into Second Amendment Agreements. While Amtrak believes further improvements (primarily with respect to costs) should be achieved, we find ourselves somewhat constrained in our dealings with the railroads because the manner in which the ICC has interpreted and applied the governing statute in this area.

Most notably, in the Texas and Pacific Case, the commission established compensation and incentives that are far more generous, and schedules that are far more loose, than anything contained in the contracts Amtrak has voluntarily negotiated. Amtrak is appealing in the courts the commission's application of Section 402(a) in several cases. Although this problem was clearly pointed out

in the GAO (see Appendix I to June 8, 1977 Report), the GAO did not see fit to take a position on the legal constraints that now confront Amtrak in its dealings with the railroads. Amtrak does support amendment of Section 402(a) of the Rail Passenger Service Act in the manner proposed in S. 2478 in order to resolve the problems posed by the commission's interpretation of the current provisions of Section 402(a). It is our belief that such amendment will serve primarily to reaffirm the intent of Congress in amending this section previously in 1973.

Senator SCHMITT. The GAO (General Accounting Office) criticizing the September 5, 1975, Amtrak 5-year plan by stating:

"Many of Amtrak's planned (capital) investments represent management's judgment of what is needed. In the absence of indepth market studies for each of Amtrak's current and proposed routes, the appropriateness of Amtrak's planned investments is uncertain."

What steps were taken in the formulation of the present 5-year plan to prevent such criticism? The General Accounting Office has recently (this week) issued a report on Amtrak's most recent five year plan. What changes, if any, are in this present G.A.O. Report?

ANSWER. Since GAO's last report on the five year plan, Amtrak has devoted a great deal of attention to improvements in planning methodology to strengthen its justification for future investments.

We have developed a market forecasting model that is sensitive to changes in Amtrak service and to the environment in which that service operates. Statistical association has been established between changes in fares, frequencies, new equipment, population and energy price on the one hand and changes in ridership on the other. Ridership, allocated by route, then determines planned train consist size and ultimately the size of the equipment fleet.

Amtrak has also conducted additional research on other factors influencing the capital program such as the condition of facilities and equipment, productivity of labor (such as the Chicago maintenance facility) and compliance with federal, state and local statutes.

In the present staff study, GAO has not specifically raised any of the same points contained in their last report. Since the new findings address essentially different characteristics of the plan, we tend to believe that GAO therefore implicitly agrees that earlier problems are largely corrected.

Senator SCHMITT. "In many long distance markets, the impact of diversion of passengers to rail service from other modes is very small in terms of congestion relief and infrastructure requirements through 1990. Since most of the critical air pollution areas are centered in the large cities, the argument that rail service should be subsidized because it offers a less polluting form of travel is not relevant on most long distance routes."

"Federal dollars saved as a result of discontinuing assistance to long-distance routes and other low-potential routes should be redistributed to achieve a greater impact in terms of reducing congestion, conserving energy, and improving air quality in high potential corridors."

These are quotes from a DOT study prepared under Secretary Coleman in the Ford Administration. I am anxious to hear your response to these comments.

ANSWER. The most important benefit of long-distance routes has never been the reduced pollution and infrastructure costs. The DOT study correctly points out that these are much more critical in urban areas, and implies that running the same mileage in urban areas would have a greater impact on these two variables. There are many other public and user benefits, however, which are more important and justify long-distance trains. Given a high-enough load factor, there are energy savings. Amtrak also provides important safety, recreational, and employment benefits as well as providing more-accessible transportation for the handicapped. And we also supply an important alternative public transportation service to smaller communities along each long-distance route.

In addition, the quotes do not address the cost of producing these benefits in high-density corridors—additional capital investments would be required, and operating costs could well be considerably higher than on present long-distance routes.

We do believe in the philosophy of "trading-up" as expressed in our five year plan in order to carry more passengers more miles for a given amount of money, but we are awaiting the outcome of the DOT study before making any changes in the system.

Senator SCHMITT. Describe your snow emergency plans that went into action in snow disaster areas.

Northeast Corridor

ANSWER. The instructions formulated for the handling of Amtrak train operations in the Northeast Corridor during severe weather conditions such as snowstorms, sleetstorms, high winds or hurricanes are literally enough to fill a small book about one and one-half inches thick. They are formulated and revised as necessary annually long before the winter or hurricane seasons. The instructions cover procedures to be followed in the maintenance-of-way department, maintenance-of-equipment department, and each of Amtrak's Northeast Corridor's four operating divisions, all of which are monitored by regional headquarters in Philadelphia at the time of storms. Communication between all personnel of all departments is vital to successfully combat a winter storm, and the effectiveness of the effort in a big storm is well described in the March 1978 edition of Amtrak News, pages 4-5. A copy is provided for the hearing record.

National Operations

Each Amtrak district beyond the Northeast Corridor has formulated its own programs for keeping the railroad open for traffic during winter storms and other emergencies. In addition to the district plans, Amtrak's operations support department has also formulated winter preparation programs and operating plans in each of their functional areas.

The Amtrak 1977-1978 winter plan for the national (non-corridor) system is as follows:

Delineation of responsibilities.—Each district plan sets forth in detail the responsibilities of key district officers, who will insure that yard, shop, and station forces under Amtrak jurisdiction are equipped with adequate supplies and snow-fighting equipment. District employees should be guided by the district plan. Regional headquarters will monitor and direct the implementation of district plans.

Call list for emergencies.—District plans include rosters of key supervisors who will be brought to work in the event or threat of a winter emergency. District superintendents are responsible for the implementation of the emergency call list.

Station operating plan.—District plans govern responsibilities and implementation of snow-removal and maintenance of facilities on a station-by-station basis. District superintendents are responsible for implementation as required. All concerned must be conscious of our need to keep the public informed. Station forces will keep the traveling public currently advised of train departures and schedules by appropriate signs and announcements. This obligation to keep the public informed applies at every level—the station, the district, the region, and headquarters. The System Operations Center, Washington, will be responsible for the overall effort through monitoring, issuance of advisories, and coordination with representatives of the public affairs and marketing departments.

Coordination with other departments.—Normal channels formed on a daily basis and currently in effect will be retained. Each district superintendent or his designated representatives as delineated in the district plan will be responsible to insure that coordination is made among all affected departments for matters above the routine. Regional vice presidents are responsible for coordinated planning with other affected departments at the regional level as regards winter planning. In larger areas such as Chicago, this work will be accomplished through ad hoc committees. The vice president and general manager for national operations and the vice president for operations support will have overall coordination responsibility. In times of actual winter emergency, the System Operations Center will function as emergency operations center with augmentation from other departments.

Adequate supplies.—The managing director for material control is responsible for insuring that adequate supplies and replacement parts are stocked to meet winter emergencies. Letter instructions to material control managers govern. District superintendents will insure that all required supplies are on hand or on order in accordance with district plans.

Coordination with operating carriers.—The director of train operations for the national system is responsible for overall coordination with operating railroads. All concerned will be governed by carrier restrictions as to operating speeds, maximum consists, and minimum boiler requirements. In accordance

with district plans, district officers will coordinate with their local counterparts on a local level as set forth in the respective plans.

Emergency accommodations.—District plans govern with respect to housing passengers in the event of misconnections, terminations, etc., and for passenger assistance. The vice president for marketing and the vice president for public affairs are empowered to suspend service in the event of a prolonged winter emergency. Hotel accommodations in the event of suspended service will be at the passenger's expense. The department of state and local affairs will be fully consulted in the event a suspended service affects a train operating under the provisions of Section 403(b) of the Rail Passenger Service Act.

Emergency food.—District plans govern, listing locations and suppliers of emergency provisions.

Emergency transportation.—District plans govern, listing sources of alternate transportation. The System Operations Center will direct regional operation centers or district offices as appropriate when alternate transportation is to be procured. Amtrak busing policy also governs.

Emergency servicing.—District plans and the standard operating procedures for the individual trains identify where emergency water may be taken and where carrier and Amtrak forces are on duty to make emergency repairs or adjustments.

Emergency operating instructions

Steam-boiler failure.—Troubleshooting procedures outlined in Amtrak's Steam Generation Operating Manual govern. These instructions are also posted on the steam-generator compartment of all steam-boiler-equipped locomotives and in steam-generator cars.

Headend-power failures.—Mechanical department instructions govern. Instructions to on-board employees are also issued.

Steam-connector failures.—If the steam connector is broken off or damaged, repairs must be made or the car switched to the rear of the train.

Engine failures.—For preparing each train prior to cutting off engines, the main steam trainline must be blown clear before the train arrives at the terminal so that engine can be cut off without having live steam in the train line. Specific cases are covered by carrier instructions, usually by timetables.

Car failures.—When cars are set out enroute, the steam line must be opened and blown clear and all car water lines drained.

Emergency communications.—District superintendents and district managers of train operations are responsible for informing regional and system operations centers of emergencies or unusual occurrences.

Mechanical and engineering.—The chief mechanical officer is responsible for accomplishing the required education and motive-power equipment preparation. The preparation of maintenance facilities is the responsibility of the chief engineer.

The Winter Preparation Schedule issued by the chief mechanical officer and the director of running maintenance correspondence shall govern pre-season car work to be performed. Quotas are as follows:

Eastern region—299 cars (Hialeah and Buffalo).

Central region—430 cars (Chicago, 12th and 21st Streets).

Western region—402 cars (Seattle, Oakland, Los Angeles).

Instructions govern replacement of steam boilers and necessary work to be performed on steam, electrical, and air brake system.

As applies to Chicago Terminal and Amtrak-owned trackage between Kalamazoo (Asylum Switch) and Niles, Michigan, regional engineers' instruction governs winter preparation and emergencies.

SUPER BLIZZARD HITS NORTHEAST, AMTRAK EMPLOYEES BATTLE THE WEATHER

The devastating blizzard that hit the Northeastern United States in early February brought all transportation to a halt in much of Massachusetts and Rhode Island, all that is except for Amtrak trains.

Veteran railroaders, many with more than 40 years of service, called it the worst snow storm they could remember. But despite the odds, the battle between the railroad and nature to keep the Corridor open was eventually won through dedicated employee effort and the time-honored railroad tradition of getting the trains through.

Thousands of stranded motorists found haven in the trains, which made unscheduled stops at a number of towns and cities along the Boston-Providence-

New Haven corridor. Additional trains were put into service to move travelers who could not use other transportation.

Hundreds of railroad employees who reported to work "as usual" on Monday, February 6, did not get home again until three or four days later. Some came prepared to stay at least over night, but most ended up staying at least two days while many others worked even longer.

About mid-day on Monday, when the storm was beginning to reach its peak, the top priority was to obtain sufficient lodging for those who would be needed to keep yards and tracks open, trains moving, stations operating, cars and locomotives serviced and maintained and switches and signals functioning.

The next day, getting food to many of these same people—who were working around the clock—became priority number two.

Decisions had to be made quickly on the spot. Communications were kept moving between Corridor headquarters, in Philadelphia, and the Corridor's four divisions. Sleeping and eating became catch as catch can.

When the blizzard, which was packing wind gusts of up to 90 miles per hour, hit the Providence and Boston areas. Amtrak quickly responded to calls for help from Rhode Island Governor J. Joseph Garrahy, Senator Claiborne Pell and Massachusetts Governor Michael Dukakis.

"Our trains were the only—stress that word only—transportation to Boston and Providence for a couple of days," noted Amtrak President Paul Reistrup, "and we were happy to pitch in and help the people."

Amtrak's trains continued operating even on Tuesday, February 7, as the two big cities recorded snowfalls of up to 28 inches and drifts were piling as high as 10 feet. Airports were shut down, highways impassable and even the ubiquitous Boston trolleys were halted for a time.

But all trains did get through to Boston, although some admittedly were late and several unable to make the final mile from Back Bay Station to South Station.

As the storm peaked at various points along the Northeast Corridor, Amtrak stations were kept open around-the-clock to provide shelter for pedestrians, motorists and train travelers caught in its fury. At one point the station at Providence was a temporary home-away-from-home for over 400 people. Back Bay Station offered shelter to about 140 and other stations housed dozens at a time.

At the request of local government officials, trains made special stops at small community rail stations not normally served by Amtrak to pick up and drop off stranded travelers. Requests also came into make special stops for medical emergencies, food drop offs and critically-needed emergency personnel.

Unscheduled stops included Warwick, East Greenwich, Davisville, Wickford Junction and Pawtucket, Rhode Island; and Mansfield, Attleboro and Canton Junction, Massachusetts.

Although a state of emergency was declared and all automobiles were ordered off the streets in almost all communities, Amtrak found thousands of unexpected travelers flocking to the trains. One major group consisted of college and university students trying to get home after heat had been cut off in their dormitories.

For the thousands of people stuck at major airports in Washington, Baltimore, Philadelphia, New York, Hartford and Boston, Amtrak helped by providing alternate transportation.

Amtrak also saved the day for one young man who was stranded in a Boston hotel and faced the prospect of leaving his bride waiting at the altar in Chicago. A phone call to Boston's South Station brought immediate action. The prospective groom was boarded on the *Lake Shore Limited* and got to Chicago in time for his wedding.

At the request of Senator Pell, Amtrak made up a special train on Friday, loaded with civil defense materials, and moved it from Providence to Worcester over a branch line that is not normally served by Amtrak. Train personnel and civil defense authorities distributed supplies to towns along the way and also picked up about 50 motorists who were stranded on roads along the railroad.

A water main break and a power outage were the only things that did halt Amtrak service for a time.

The water break occurred at Hartford and flooded the tracks there. Service between Hartford and Springfield was cancelled because of lack of equipment at

the far end of the line. Trains continued to operate from New Haven to Hartford. Through service was restored about 10 p.m. when the *Bankers* was finally able to get through after the water had receded.

The blackout occurred at 3 a.m. in Boston when the commercial power source went out. Lasting about five and one half hours, the blackout prevented trains from getting into South Station until about 9 a.m. Locomotives were put into standby service pumping air to operate switches along the main lines.

Philadelphians handed Amtrak a special vote of thanks. The city's police department called in mid-morning, on Tuesday, asking for help getting some badly-needed parts for the city's many snow plows. The parts had to be moved from Baltimore as quickly as possible. The request was channelled through the proper departments and the parts arrived early on Tuesday afternoon.

Just about every employee who was involved in some way with the week-long weather problem has a personal story to tell. Their hours were long and hardships many, but their willingness to make an extra effort to help fellow humans who needed assistance was unflinching.

Sadly, for the most part, they didn't make the headlines of the national and regional news media.

Those went to the airports which were closed the buses which couldn't operate, the trucks and automobiles that were buried under snow drifts.

Hardly anything was said about the trains, because they were out doing their job.

Amtrak thanks the many employees who helped achieve this feat.

Senator LONG. Next we will call Mr. Jim Snyder, Railway Labor Executives' Association.

Mr. Snyder, we are very pleased to have you here today and will be pleased to hear your statement.

STATEMENT OF JIM R. SNYDER, CHAIRMAN, LEGISLATIVE COMMITTEE, RAILWAY LABOR EXECUTIVES' ASSOCIATION, AND NATIONAL LEGISLATIVE DIRECTOR, UNITED TRANSPORTATION UNION; ACCOMPANIED BY WILLIAM G. MAHONEY, COUNSEL

Mr. SNYDER. Good morning, Mr. Chairman, members of the committee and staff. It is a pleasure to be here with you this morning. We have a very short statement.

It is my pleasure to have with me Mr. William G. Mahoney, counsel for the Railway Labor Executives' Association.

On behalf of the Railway Labor Executives' Association, its members and the employees of the Nation's railroads whom they represent, I would like to express our appreciation for the opportunity to present to you their views on a subject which we believe to be most vital to a balanced transportation system for this country, now and in the future.

The Railway Labor Executives' Association is an unincorporated association with which are affiliated the chief executive officers of all of the standard national and international railway labor unions in the United States. The organizations whose chief executive officers are members of the RLEA are listed below:

[The list follows:]

American Railway Supervisors Association; American Train Dispatchers Association; Brotherhood of Locomotive Engineers; Brotherhood of Maintenance of Way Employees; Brotherhood of Railroad Signalmen; Brotherhood Railway Carmen of the United States and Canada; Brotherhood of Railway, Airline and Steamship Clerks; Brotherhood of Sleeping Car Porters; Hotel & Restaurant Employee & Bartenders Int'l. Union; International Associates of Machinists &

Aerospace Workers; International Brotherhood of Boilermakers & Blacksmiths; International Brotherhood of Electrical Workers; International Brotherhood of Firemen & Oilers; International Organization of Masters, Mates & Pilots of America; National Marine Engineers' Beneficial Association; Railroad Yardmasters of America; Railway Employees' Department, AFL-CIO; Sheet Metal Workers' International Association; Seafarers International Union of North America; Transport Workers Union of America; United Transportation Union.

When Congress created Amtrak, it was fully aware that only a massive Federal financial effort could preserve this vital mode of transportation. It was obvious to all that this new creature of Congress had to revivify the corpse of railroad passenger service in this country.

All who participated in the consideration of the Rail Passenger Service Act of 1970 knew that the resurrection of retail passenger service could not be accomplished in a day or in a decade. The equipment made available to Amtrak was virtually worthless; the right-of-way, for the most part, was totally inadequate. A great deal of time and adequate financial aid are essential to Amtrak's ultimate success.

Amtrak has proved successful. The traveling public of this Nation has demonstrated beyond any question that it enthusiastically supports the rail service Amtrak offers, despite its obvious deficiencies such as abysmal on-time performances, in some cases brought on by inadequate track and equipment facilities.

Intercity rail ridership has increased an astonishing 54 percent since Amtrak's first year of operation. No one expected so great and consistent an increase in ridership when the Rail Passenger Service Act of 1970 was enacted. Indeed, it has exceeded everyone's fondest hopes in this regard.

It is most significant that Amtrak was required to reverse a 20-year downward trend in rail passenger ridership. Indeed, it had to reverse the traveling habits of a significant segment of the public. It has accomplished that result. In doing so, it has performed well, cutting service costs and acquiring and expanding its maintenance facilities, thereby enabling it to produce an even higher quality of service which in turn should attract more riders.

In short, the Amtrak experiment is succeeding. Amtrak is succeeding to a degree. It must be aided and encouraged in all its efforts to carry out the declared purpose and findings of Congress when the Rail Passenger Service Act of 1970 was enacted.

S. 2478 performs at least two distinct functions. In addition to the authorization of funds for continued operation of Amtrak through the fiscal year ending September 30, 1979, S. 2478 would direct the Secretary of Transportation in cooperation with Amtrak to conduct a study with the objective of developing a preliminary recommendation for a route system for Amtrak which would provide "an optimal intercity railroad passenger system, based upon current and future market and population requirements, including where appropriate, portions of the Corporation's basic system."

It is our conviction that Amtrak cannot succeed unless adequate funds are provided, both for operating and capital purposes. If Amtrak is provided less than 60 percent of the capital funding it needs then, obviously, its entire future must be reassessed. One can reasonably assume that under such a reduced capital funding program, operating subsidies would have to be increased to compensate for revenues lost from failure of expansion and improved service.

Adequate capital funding is essential to the continued existence of Amtrak. The Department of Transportation recommended about \$111 million in capital funding programs for fiscal 1979. That funding would result in wholly inadequate motive power, rolling stock and maintenance of way requirements. In short, it would be \$111 million literally thrown away. Amtrak should be adequately funded or abandoned.

The RLEA supports the full capital funding necessary to implement Amtrak's ability to develop an operationally viable rail passenger system.

A most important source of revenue for Amtrak has been sorely neglected. Development of Amtrak's full potential for the transportation of mail would mean an income of \$50 million a year; the salvation of numerous needed, but economically marginal passenger trains and an improved postal service to our citizens.

For decades the passenger trains of this country carried the mail, but from a financial viewpoint, the mail carried the passenger trains. It was publicly admitted by the Post Office Department that in the 1950's and 1960's when the railroads wished to discontinue passenger trains, the Post Office would remove the mail to make that train a losing proposition. The practice should now be reversed to make the passenger trains paying propositions.

The second function of S. 2478 is the redesignation of the Amtrak system throughout the United States. The Secretary of Transportation is directed to develop a preliminary recommendation for such a redesignated system on the basis of certain listed criteria.

Following submission of the Secretary's preliminary recommendations, the Rail Services Planning Office is directed to conduct hearings on them, after which the Secretary is to issue the final recommendations which would include a recommended route structure for Amtrak by end points and principal intermediate points to be served.

Thereafter, the recommended route structure is to be submitted to both Houses of Congress and will take effect unless one House of Congress vetoes these recommendations within 60 days. In the event of veto, the Secretary shall then submit a revised recommendation of a basic system which meets the objections of the Congress. The bill is silent as to what would occur if Congress rejected—if indeed it could reject—the revised final recommendations.

The RLEA is not opposed to or particularly concerned about an objective study which would have as its recommendation a basic Amtrak system for this country. We are concerned, however, with the proposed study because the very Department which would conduct this study only a few months ago was testifying before the Congress that Amtrak—at least beyond the Northeast corridor—could be abandoned because there exists "fine intercity bus systems and air transportation systems" which "could easily absorb" those passengers driven from the rails by abandonment of Amtrak routes.

Under S. 2478, the same Department manned by many of the same people who prepared that testimony for Secretary Adams' predecessor to present to the Congress, is now asked to conduct a study and to consider first among the listed criteria: "(1) the adequacy of other transportation modes serving the same points to be served by the recommended route system."

Quite frankly, Mr. Chairman, we fear that the issue may have been prejudged and the conclusion already reached to recommend abandonment of Amtrak on the primary ground that other forms of transportation are available and adequate to carry the passengers who would be driven from the rails by abandonment of passenger trains.

We respectfully suggest that if this committee does not intend the issue to be prejudged that it so state very clearly in its report on this bill that it remove as a criterion the "adequacy" considerations set forth above and at lines 7 through 9 on page 3 of S. 2478. Unless this is done, our experience compels us to conclude that the first consideration listed on page 3 of this bill, which I just quoted, will be used to destroy the Amtrak system by those within the Department who remain of the same opinion they were 2 years ago.

Amtrak now carries about 20 million passengers a year. Its trains average well over 200-passenger-miles per train mile on six different routes, which average over 702 miles in trip length. Nine other routes average between 160 and 197 passenger miles per train mile and, when the two short routes of Washington-Martinsburg and Los Angeles-San Diego are excluded, average 549 miles in trip length.

Consideration of the existing and future energy crisis facing this country compels the conclusion that a rail passenger network capable of attracting ridership in the future, as it has in the past, is essential to this Nation's welfare.

Today we have 20 million people riding Amtrak annually. By 1982, it is estimated that over 26 million people will be riding Amtrak each year. In terms of energy conservation; savings in lives otherwise lost in highway fatalities; dependability of transport in times of weather disasters, such as these last two winters; reduction of highway congestion; and simple public preference, Amtrak is the necessary answer.

Public preference for rail travel plays a great part in the need for and success of Amtrak. For example, despite a miserable on-time performance of only 13 percent, the 592-mile trip between Chicago and New York City via Pittsburgh averages 302 passenger miles per train mile, one of the highest, if not the highest, passenger train mile, one of the highest, if not the highest, passenger train mile ratio on the system.

Amtrak, I understand, has submitted a "5-Year Corporate Plan" which sets forth a detailed study of what the future appears to be for Amtrak. It is an expensive future as we have always known it would be, but it is encouraging and it indicates the basic need which this Nation has for the continuation of an operationally viable rail passenger system.

Adequate, safe, efficient rail passenger transportation is essential to our future well-being in the areas of energy, economy, and ecology. The RLEA, of course, supports Amtrak because we represent its employees. But we also support it because we are convinced that rail passenger service is more necessary today than ever before since the train is the mode of transportation most efficient in use of energy and the mode which is least offensive to our environment.

It seems to us, therefore, that in dealing with Amtrak the Congress must adopt a positive approach with a view toward the full utilization and development of rail passenger service wherever the evidence indicates the future would justify it. Certainly, commonsense compels it to be done as long as the Amtrak experiment continues to succeed.

We know that such an approach will be expensive. Congress knew that when it enacted the Rail Passenger Service Act of 1970. We respectfully submit, however, that the expense to this Nation will be almost insignificant in comparison to the many vast program expenditures which, to us at least, do not appear to be nearly so important to our Nation's welfare as would be an operationally viable national rail passenger network.

Again, I wish to express to you our appreciation for the opportunity to present our views to you today on this important subject.

Thank you.

Senator LONG. Thank you very much. A good statement.

As you know, I would like to try to come to terms with railway labor. I would like to work something out where we can make you a better proposition than you have now.

At the same time, I would like to work out something which provides more incentive to get more production and more cooperation and make this railroad system an enthusiastic, efficient system—

Mr. SNYDER. That is our goal, Mr. Chairman. We are delighted to work with the chairman in any way. We do think this country deserves and needs a good rail passenger system. I haven't had the pleasure of traveling abroad but I have discussed it with several people who have, who ride in trains in other countries. They are far superior to ours. None of them is making money, to my knowledge. To my knowledge, Amtrak will never make money.

I think it was pointed out during some of the congressional hearings that you can fill the trains completely and it would still lose money.

Senator LONG. If it can't make money, maybe it can lose less.

Mr. SNYDER. We are for that.

Senator LONG. Well, thank you very much, Mr. Snyder. I enjoyed visiting with you, not only on this occasion but other occasions. I look forward to—

Mr. SNYDER. One other thing, if you don't mind. We would support Amtrak taking over the Southern Railway Crescent 1 and 2. I will tell you the reason why. It is a good train. I personally know it. I have been a passenger and conductor. My seniority is on the Southern Railway. I operated trains as a conductor and baggage master and flagman. This goes down through God's country, as you know, down through the southern States and into your great State of Louisiana. I think it could be a great asset to that part of the country. Your ridership could be increased between Atlanta and New Orleans by operating it there just like it operates between Washington and Atlanta. I ride this train. I think it would be very important to that part of the country.

Senator LONG. Well, it should either be made a more efficient and better service or else discontinued. That is my view of it, at least. If it is made more efficient and provides better service, I would think that it would attract more customers, more business and perhaps set an example of what could be done across the Nation.

Mr. SNYDER. So many people don't even know the train operates, Mr. Chairman.

Senator LONG. I always knew it operated. The first time I came to Washington, I came on the Crescent Limited.

That was the early days of aviation. When you fly, you have to get off a plane in Atlanta and I ask a friend to take me from the airport to the city in order to catch the old Crescent Limited and ride the rest of the distance into New Orleans. I was riding that train back before they had air service available all the way down to New Orleans.

Mr. SNYDER. I rode the train with several of the Senators: Sparkman and Johnson. You heard the saying, "Regardless of whether you ride by air or rail, you have to go through Atlanta to get to heaven."

Senator LONG. The Atlanta people say that. I personally think there should be a nonstop out of New Orleans. Thank you very much.

Mr. SNYDER. We stand ready to work with you, Mr. Chairman, and your staff in trying to work out the Amtrak problems and have a good rail passenger system in this country. We stand ready to do that.

Senator LONG. Well, we have visited together and exchanged ideas before. It was a pleasure to meet your members. I look forward to more of the same.

(The following information was subsequently received for the record:)

RAILWAY LABOR EXECUTIVES' ASSOCIATION,
Washington, D.C., April 14, 1978.

HON. HOWARD W. CANNON,
Chairman, Committee on Commerce, Science and Transportation, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Following my testimony before the Subcommittee on Surface Transportation, you and Chairman Long of that Subcommittee wrote to me asking me whether, in my opinion, the expenditure of almost \$8 billion over a ten-year period for rail passenger service is a justifiable allocation of our resources, and asked that I elaborate on my testimony to the effect that reducing the levels of capital improvement funding would result in wholly inadequate motive power, rolling stock, and maintenance of way requirements which would be effectively throwing away \$111 million.

You and Senator Long also requested my thoughts and comments on three specific alternatives which you listed as possible methods for raising additional Amtrak revenue as well as cutting expenses.

It seems to me that an almost \$8 billion investment in rail passenger service over the span of one decade is not an unreasonable or unjustified allocation of the resources of this country in a means of transportation which not only many of our citizens consider a necessary mode of travel, but which now constitutes and certainly will more emphatically constitute it in the future a significant contribution to the quality of life in this country. I believe a quick review of our nation's financial commitments will reveal innumerable investments of our resources much greater in size with much less potential return than Amtrak.

If I may, I would like to comment on a statistic contained in your letter: Measuring rail passengers as a percentage of all persons who travel in the United States. It seems to me that this is a most imperfect comparison. It is rather like comparing the number of people who traveled by walking in the year 1700 as against those who traveled by horse and then concluding that all horses should be destroyed because the investment in feed did not justify providing them as a means of transportation. I respectfully submit that we should compare the numbers of passengers riding today against the numbers of passengers who were riding passenger trains at the time Amtrak took over.

It seems to me that the answer to the passenger dilemma is to make the service attractive and useful. Once that is accomplished, the people will use the service.

I remarked in my prepared statement that substantially reducing the level of capital improvement funding would effectively throw away \$111 million simply because the inadequate provision for capital improvement—and by that I mean insufficient numbers of locomotives and cars of a quality to attract passengers—will result in no improvement in service or ridership. If the funds provided would allow Amtrak to acquire but half the necessary equipment at half the desired quality, Amtrak cannot perform as it was created to perform and passengers simply will not utilize its services.

Of the three specific alternatives you listed as possible methods for raising additional Amtrak revenues, as well as for cutting expenses, the first method involved a suggestion that the states be required to come up with a higher match than 50% on the Section 403(b) trains. My reaction to that is that whatever might be done to adjust the State's Section 403(b) contribution would have little effect on the overall financial picture of Amtrak, since there are so few Section 403 trains in operation. On the other hand, assuming those trains perform a service, I am reasonably certain they would be discontinued because of the inability or unwillingness of the individual States to increase their share of the costs of operation of those trains.

The second method set forth in your letter is an alternative that would require the State to make some contribution to the long-distance trains that sustain heavy losses. You mention that the contribution could be based on mileage or some other relevant factor. Perhaps a State contribution to the cost of long-distance passenger trains could be based upon numbers of passengers originating or terminating their trips in a particular State and the distance each such passenger traveled, but such a criterion would be most difficult, if not impossible, to apply in a fair manner and would be self-defeating since the States would be impelled to discourage rail travel to or from points within their borders for the simple reason that the more people that embarked or disembarked within its borders, the higher amount the State would be required to pay in support of the continued operation of that particular train.

Finally, you state that a practical solution might be found in a plan that would require Amtrak to increase its prices not and note a statement made by Mr. Arthur Lewis in his testimony to the effect that when a service is important to passengers, those passengers will pay compensatory rate. We stated that passengers pay what it costs to ride the airlines and to ride the buses and "there is no basic reason to believe that the rail passenger will not similarly pay the cost of his trip when he goes by rail if, in fact, it is an essential service."

First of all, I would like to direct attention to the fact that there are several self-serving, but inapplicable assumptions in Mr. Lewis' statement which do not apply to railroads, airlines, or to buses. It is, of course, a fact that if it is *essential* for a person to get from Point A to Point B he will do everything within his power to get there even if he has to walk. Consequently, Mr. Lewis' statement that a passenger will pay the cost of a rail trip if it is essential applies equally well to the bus and the airline. And today, buses obviously are suffering if one would look at the prices they are quoting in their advertisements, as airlines go to the "supersaver fares". It has been our experience that the buses have survived only because passenger train service in this country was destroyed and the bus was the only public means of transportation left to most of the people who wished to travel and who did not have an automobile available to them. To a great extent, passengers do not pay what it costs to ride the airlines nor do they pay what it costs to ride the buses. They pay neither for the federal airway system or the highways or for the cost of operating those transportation companies in the tickets which they purchase. I think experience has proved to us all that it is a valid market assumption that higher ticket prices drive away passengers. This has been proved in every form of transportation from ferry boats to subways to airplanes, and it has been and will continue to be true with passenger trains.

It seems to me and to those whom I represent that this country deserves an effective, attractive rail passenger system and I daresay that once such a system is in being that its rate of subsidy will be much lower and considered well worth the cost to the American taxpayer.

As your letter to me was signed jointly by you and Senator Long, I am forwarding an identical letter to Senator Long.

Respectfully,

J. R. SNYDER,
Legislative Chairman.

Senator LONG. I would like another witness here to submit a statement, Mr. J. L. Tapley from Southern Railway.

You may have some of your people here to help you answer questions.

**STATEMENT OF JAMES L. TAPLEY, VICE PRESIDENT—LAW,
SOUTHERN RAILWAY CO.**

Mr. TAPLEY. Good morning, Mr. Chairman. I have brought along a written statement which has been handed to the reporter and I request that be put in the record.

Senator LONG. Yes.

Mr. Tapley, it seems to me that the service you have been rendering, which has a great deal of sentiment as far as I am concerned—that is the way I came to Washington when I was a boy and when I first started out being a Senator—should be improved and modernized and try to be made profitable. I have my doubts if we ought to impose on the citizens of the country, though, a big deficit. My thought would be that there are obviously all sorts of impediments in the way of a practical nature. I don't think it is fair to blame anybody, labor or management or anybody else, for all of it.

But I oftentimes thought, why couldn't that train be operated on a basis, where you leave Washington and instead of having 32 people between Washington and Atlanta, have just about 1 or 2 people take that train down into North Carolina, and at that point pick up some sleeper cars, and go on and drop those cars off, and let a crew of only perhaps 3 people take that train as a fast coach service on down to New Orleans. You could drastically reduce the number of people and maybe in connection with it have some car make the local stops along the way to pick up people, and then meet it perhaps around Greensboro or Charlotte and put the people on you picked up at the local stops, and take off the people who are going to make stops between there and Atlanta so the thing wouldn't make but about one stop between Washington and New Orleans, and do the same type thing as we do between Atlanta and New Orleans.

Make it a more efficient service, reach the destination quicker, and also the cost of it so a service could be continued.

Mr. TAPLEY. Mr. Chairman, I think it is generally recognized in the country that this train is one of the finest and it is efficiently operated within the confines, however, of existing labor agreements. There are four crew changes between here and Atlanta and three beyond. With those constraints, management has very little control of the labor costs of operating such a train as that. Obviously, the railroads in their present bargaining have brought the questions up and hope to get some relief from it. But you understand that also in the real world it isn't just sufficient to know how many people are on the train. You have to know how much you are paying those people who are on the train.

As Mr. Reistrup and his gentlemen were talking about. The quid pro quo often, for fewer people, is much higher pay. It is a very difficult process all along.

Senator LONG. A previous witness explained to us that they finally got it down to where one engineer could take a 3-hour stand at the throttle and take a train to New York, but you have to pay him 4 day's work for 6 hours. Is that what you would be in for if you tried that?

Mr. TAPLEY. I hope not to that degree. Realistically, our management is probably in the position of having to give up something to get

something. You very seldom get the whole thing. Apropos your suggestion that there might be a through train, which I think this essentially is, because the real function of this train is the overnight train between here and Atlanta, and in the reverse direction. We, of course, didn't join Amtrak. We operated passenger services in addition to the Southern Crescent, which is our only remaining passenger service, up until January 1, 1975, which the law required us to do when we didn't join. We had four passenger trains at that time.

One of those was a daytime train of the type that one might expect local patronage to develop. We found that there is no market between here and Atlanta for daytime trains. We applied and took those off and successfully reduced our deficit somewhat on the total passenger service. The problem with us today is, I think, we are running the train as well as we can. The equipment is in beautiful condition because we have it all on a 5-year rehabilitation cycle. Each of our cars has been subjected to total rehabilitation every 5 years.

In fact, we had 30 done that way last year. We always looked at this as a continuing service. But in 1971 when we didn't join Amtrak, our entire avoidable passenger deficit was in the range of in excess of \$3 million. Last year alone it was \$6.7 million simply to operate the Southern Crescent. That money will buy 600,000 cross ties. For a private enterprise, this is something we can't continue to do. Whether the Congress feels that the taxpayer should support this operation is a different matter. That is why we have been negotiating with Amtrak in that regard.

But success or no success in those negotiations, we have got to get the train off so far as our operations are concerned.

Senator LONG. What happens to the workers if the train is discontinued?

Mr. TAPLEY. We will have to protect them under the Passenger Service Act.

Senator LONG. What will you do for them?

Mr. TAPLEY. Most of the train and engine people we will have jobs for. Most of the people in the shops where we would close portions of the shops, we would have other jobs for.

Senator LONG. Does that mean you are going to displace somebody else?

Mr. TAPLEY. No. We have been hiring now for 2 years. We have a certain attrition rate. We feel that by and large, whether this train comes off or whether Amtrak takes it over, we will be able to provide most of these people with jobs.

Senator LONG. You would take it out of attrition.

Mr. TAPLEY. Yes, and work these people into jobs where we would have attrition anyway. We have been hiring a steady number.

Senator LONG. Your decision; frankly, I think the same thing should be true of people that are losing as much as you are losing. I am not going to ask the taxpayers to take Southern on, for Amtrak to take over Southern and I don't think it is fair for them to ask us to sustain services that are losing more money per passenger mile than Southern is losing. Does that seem fair?

Mr. TAPLEY. I think it is entirely fair. I think the Congress needs to decide, along with Amtrak: Is this to be operated or not?

We have been perfectly glad to try to work out an arrangement here feeling that probably, at least for the coming year, it would be the sense of Congress, until all this route study business and all that stuff was resolved, and it is quite possible but nobody knows the answer—maybe even likely that this route would be in the system retained.

But who knows about that. I agree with you, that area shouldn't give up service as long as everybody else has service, nor should my freight shippers continue to have to pay for this loss.

Senator LONG. We had a situation in one of the Louisiana cities where you had one big payroll in the area. The union was so successful that it priced itself out of the market. Then when the company announced they were closing down that big payroll, the people came and, as a last resort, they were proposing to—in fact, they didn't want to offer, themselves, to do it but wanted to know what it would take to save those jobs. They asked me to try to explore it. Well, I wasn't willing to do it, to go to management and try to get them to do business on that basis. It seemed to me unless they were willing to agree in advance that they would take a definite reduction in some of these things they had won through the years, which made it such that they were losing out—they had an inefficient operation and management could make more money by doing business elsewhere. If they weren't ready to make a proposition, if they couldn't make a proposition, that we will cooperate and take a cut and give you more efficiency and drop some of these hard fought victories we won over management down through the years, which means less production for the dollar, that I wasn't going to get involved in it, to try to get management to make them a proposition.

They ought to make management a proposition under those circumstances. My thought here is, that not only should this be discontinued but that everything—losing as much money as this is losing should also be discontinued. Face up to the whole thing at the same time. Let them measure up on the same standard that what is fair for the goose is fair for the gander and let them decide.

If they would just as soon have no jobs, fine. If they want the jobs that can be saved by having the service, they do that. Does it seem fair to you when you are competing with buslines and airlines and those people are paying their own way, that we ought to be imposing on the taxpayers to carry a big loss in this service you have to operate?

Mr. TAPLEY. I think those are very difficult questions. All I know is we can't ask our freight payers to support this loss any longer.

Senator LONG. Well, you people down in Southern have been asking those good Senators to vote to put tolls on the waterways to make them pay for more of their expense. It seems to me as though it is pretty inconsistent even to come in here and say, we want those waterways to pick up more of the cost but we want to increase the cost on the taxpayers for Amtrak to take our service over.

It seems we ought to move one direction or the other with consistency, and justice, and fairness. If you will move away from subsidies, fine. As I understand, your people didn't come in here being subsidized. You came in here saying you can't continue the train. You are losing too much money.

Mr. TAPLEY. It is just that simple. We don't suggest to you that it must be operated. But we entered into these negotiations feeling

that, realistically it probably would be operated and it would make more sense to have a smooth transition if that were true. But we are quite prepared to stop the service if that is what happens.

Senator LONG. I may change my mind but as it stands now, my reaction is to say let's discontinue. I want to do more than that. I want to discontinue the other services losing as much as this one. I am not asking Amtrak to take this over, but when we discontinue this we ought to call upon the others who are losing as much money as this and discontinue those too.

Mr. TAPLEY. I would like to correct, if I might, just one implication.

Senator LONG. That is me saying that.

Mr. TAPLEY. About the Amtrak board. We had an agreement, you know, up until March when the Board met. It was a sunshine meeting. The public was there when this question was discussed. The real question that came up in the Board was not about taking over the service but it was the form of the contract. We offered them all our passenger equipment, roughly \$4 million worth, and \$2.7 million in cash so as not to infringe on the supplementary appropriations problems for the balance of this fiscal year.

We know they have a problem and it is worth something to us not to have to go through all the ballyhoo we will have to go through to get this off if we don't have it worked out. We have some legitimate interests on both sides. But the question that came up at the Board was: Well, are these equipment values proper? Is this really \$4 million worth of equipment? And on that basis, the Board didn't accept the contract.

So the next day we called up Mr. Reistrup and said, "Look, we put those values on this equipment. They are sound. Take the money. We will sell the equipment if you don't want it. We will sell it in the open market. There are places abroad now and then that have markets for passenger equipment which is well maintained, which this is. Take your choice. Do you want \$6.7 million in cash and an option to buy pieces, OK. If you want to lease some of it for a while, OK. But these values are sound."

Now that proposal is pending and will go before the Board, the Amtrak Board, on the 29th of this month. So the Board hasn't taken any position that, no, we don't want to do this. The question arose about that part of the contract. That is all.

Senator LONG. Let me get more detail.

Just from your point of view, if you were privileged to run that railroad the way you would like to run it, and you had the responsibility—I don't care whether it is for Southern or Amtrak—to try to run that train and make it pay for itself, or at least reduce the losses, how would you suggest that that train should be run?

Mr. TAPLEY. I don't think I could suggest any differences in the operation than we have implemented given the present constraints.

Senator LONG. I am talking about the present constraints.

Mr. TAPLEY. I have no answer to get rid of the present constraints except to do what the people are doing right now in these negotiations about trying to get some relief on crew consists. That is an issue right now.

Senator LONG. I am just asking you to spell out from management's point of view what management thinks ought to be done to try to reduce the losses on an operation like this.

Mr. TAPLEY. I don't think we would have done anything or would do anything differently from what we have done. Understand, Mr. Chairman, that this operation that Southern has done could be operated more cheaply but you wouldn't be able to have the equipment in the shape it is, you wouldn't be able to have the kind of dining-car service we do.

We didn't propose and would never propose to have a cheapie operation which cheapens the image of the company. That is what you would do if you cut down on the cost in the areas where you have cost control.

What I am suggesting is the areas that you are talking about are really areas over which we have no effective cost control. The areas where we do, we would elect not to cheapen the operation for the reasons I stated. It would affect the company, image, all kinds of things. It would not be a first-class passenger service.

Senator LONG. I must say, Mr. Tapley, I can't even get you to talk about what you have already talked about. I am trying to get you to tell me with regard to the crew consist and your labor problem—previous witnesses said that labor is 65 percent of the cost in their area of passenger operations. I am trying to get you to tell me what you would do if you were—

Mr. TAPLEY. Labor agreements? Yes, I could run the train cheaper. No question about that.

Senator LONG. Would you give me specifics?

Mr. TAPLEY. You could quite reasonably, and with complete safety, have two crews from here to Atlanta. That is all you would need. The same thing beyond.

Senator LONG. How many people would that be?

Mr. TAPLEY. That would be eight on each side. I wouldn't have five-man crews. I would have four.

Senator LONG. You would only have two four-man crews. How many do you have now?

Mr. TAPLEY. Four crews between here and Atlanta and three beyond. Those are five-man crews.

Senator LONG. Tell me the difference in the number of people you would be hiring.

Mr. TAPLEY. There are now 20. I think I would do it with eight. The on-train people are there that go all the way through. We are talking about operating people now.

The porters, and so forth, go straight on through the day. And there would be very little you could do about that. Again you could have fewer people in the dining car, but you would cheapen the service. You wouldn't want to do that. If you are going to run it, run it. Don't offer something that is not going to meet the public's taste or meet any kind of reasonable standards.

So that is about as far as I would go on that particular kind of expense.

Senator LONG. Even that—

Mr. TAPLEY. That would be a substantial saving.

Senator LONG. How much would that save you?

Mr. TAPLEY. I could provide that for the record.

Senator LONG. In terms of numbers, how many would you have compared to what you have now?

Mr. TAPLEY. Eight instead of 20 between Atlanta. Eight instead of 15 beyond.

Senator LONG. So on the operating point, you could have 16 people instead of 35.

Mr. TAPLEY. Roughly, that is right.

Senator LONG. How many people do you use to operate the dining room?

Mr. TAPLEY. Two cooks, a steward, and at least three waiters. Three or four. Three, anyway.

Senator LONG. Well, some years ago, an old retired railroad conductor visited me and he told me he hadn't done much flying. He had a railroad pass. He always moved by rail. But he said when those stewardesses started to serve that meal, he took out his old railroad watch and watched that second hand to see how long it would take them to lay those trays down and get that food service cleared away. He said by the time those young ladies picked up those trays and disposed of them and fully served all the passengers, he was absolutely shocked. He said the railroads maybe ought to change their way of doing it or they are gone. They can't compete with this.

He was talking about the kind of service people have on the airlines for food. That is not bad service, is it?

Mr. TAPLEY. No. I think you will note that when you get good food on the airlines you have just left very major metropolitan centers. If you ever picked up food at minor airports, you discover it is not of the same quality. This might be an inhibition against the railroad doing that. If we served airline-type food, we could pick it up for the evening meal going out. But beyond, that wouldn't be possible.

You get into areas—there wouldn't be any marvelous foods available in Greensboro or places like that.

Senator LONG. I have seen how small businessmen go about making a profit.

Mr. TAPLEY. They used to have lots of good food when there were lots of trains running up and down.

Senator LONG. I have a friend of mine who now has a big restaurant down in New Orleans—Moran's Restaurant—I knew his father and I know the son. That is a successful restaurant. It is a high-class restaurant operation. But when he started out, his father had the restaurant. He started out for himself trying to find a way to make a living. He went into the food business. He went out there to the airport and got himself a business preparing meals for people on those airplanes. He would prepare the meals and put them aboard the plane and the hostess would serve them. I don't know why you couldn't do the same thing.

You pass through a town, just let them—they just roll these things on the airplanes. Why can't the railroad do something like that.

Mr. TAPLEY. Something like that could be possible but you may have ridden some of these New York/Florida trains where they have airline-type meals and the public hates them. They are not all that great. They are food but—

Senator LONG. I haven't done that. But it seems to me as though you could think about saving money in one area and I believe you are right, but I think that you can also save money on the other part of it.

Mr. TAPLEY. We could run a cheaper operation. We could get rid of certain things. But these are some of the reasons people are on the train. They like the flavor of yesteryear's service. That is the reason the trains had a reputation.

Senator LONG. But we are not in the antique business.

Mr. TAPLEY. Well, I am.

Senator LONG. Thank you very much.

We stand adjourned.

[The statement follows:]

STATEMENT OF JAMES L. TAPLEY, VICE PRESIDENT—LAW,
SOUTHERN RAILWAY CO.

In 1971 when most of the nation's railroads joined the National Railroad Passenger Corporation (Amtrak) pursuant to the Railroad Passenger Service Act, Southern Railway Company elected not to join and continued to operate, at its own expense, its passenger train services then in effect. Under that law Southern was required to continue to operate its four remaining sets of trains until January 1, 1975 when it was thereafter permitted, pursuant to Section 13a of the Interstate Commerce Act, to seek permission from the Interstate Commerce Commission to discontinue all of its remaining passenger service. In 1975 and 1976 Southern discontinued three of its remaining four sets of trains.

Since mid-year 1976 Southern's only remaining passenger service has been its Southern Crescent which operates daily between Washington and Atlanta and tri-weekly between Atlanta and New Orleans. This route was and continues to be one of the routes in the basic core system of the rail passenger network.

Since May 1971, Southern has lost over \$36 million of its own money in continuing these passenger services, \$30 million of which it has absorbed as avoidable losses on the Southern Crescent alone.

At the time Southern elected not to join Amtrak, its annual avoidable loss on all passenger service was in the range of three plus million. In 1975 the avoidable loss on the Southern Crescent was \$3.8 million and in 1976 \$5 million. In 1977 this jumped to \$6.7 million.

Because Southern feels that it can no longer absorb these mounting losses in operating the Southern Crescent, it began in November of 1977 to discuss with Amtrak the possibility of Amtrak's assumption of the service at such time as Southern was relieved of that obligation by the Interstate Commerce Commission. It was and continues to be Southern's position that these dollars are needed to sustain Southern as a strong and viable freight carrying railroad system. Under Section 404(a) of the National Passenger Service Act, Amtrak has the right, upon the filing of a notice by Southern to discontinue the service, to itself assume operation.

In late February Amtrak and Southern's management reached an agreement subject to Amtrak Board approval and to an expression from the Congress that Amtrak might assume the operation, which House Concurrent Resolution No. 494 will provide.

The agreement provided that Southern would contribute to Amtrak all of the equipment presently used in the Southern Crescent operations, 81 cars and 17 locomotives, having a value of \$3,974,812. In addition, Southern agreed to contribute \$2,700,000 in cash to sustain the operation of these trains by Amtrak for the balance of its fiscal year 1978. This cash payment was offered on condition that Amtrak assume operations on April 6, 1978. If, however, Amtrak's assumption of operations were delayed beyond that day and Southern had to continue to support the operation for an additional time, the cash contribution was to be reduced 1/150th for each day of such delay. The financial package was worth a total of \$6,674,812 if Amtrak assumed operations as of April 6, 1978. If there were delay beyond that date, the cash payment was to be reduced as explained.

Thus the financial package offered a maximum of \$6,674,812 or a minimum of \$3,974,812, depending upon the date Amtrak was able to assume the operation. The Amtrak Board considered the proposal on March 1, 1978, but it failed of approval.

Southern's understanding is that certain members of the Amtrak Board were concerned about the values assigned to certain pieces of equipment. Because Southern believes the values are conservative, Southern has now informed Amtrak's management that Southern is prepared to offer an equivalent in cash, leaving Amtrak the option to purchase whatever portion of the equipment it wishes, with Southern to dispose of any remaining equipment in the open market. In the alternative, Amtrak has been offered the right to lease any portion of the equipment it desires at the rates customarily used between railroads.

Further consideration by Amtrak is expected with the hope that the revised proposal will fully put to rest any concerns which members of its Board may have had to the initial agreement. Southern's new offer will remain open until April 5.

Southern went ahead and filed its notice of discontinuance with the ICC on March 6 and will if necessary (if the ICC requires a hearing) offer extensive evidence to justify the need for Southern's relief from this operation. We feel that if the operation of this train is needed in the public interest it ought to be taken over by the corporation that Congress set up for that purpose. We have made an offer which we also feel is fair to Amtrak and Southern and would permit a smooth transition of the assumption of the operation by Amtrak.

We request, therefore, that Congress approve House Concurrent Resolution No. 494 which Amtrak has indicated it needs in order to go forward with this proposal, assuming the Amtrak Board is satisfied with the revised offer that has been made. With the \$6.7 million cash offer now made Amtrak can, if it wishes, operate well into fiscal year 1979 by means of this cash contribution to support the operation of the Southern Crescent. Of course, if the agreement is not made, and if the ICC permits Southern to discontinue the service, Southern has no obligation to make any contribution to a possible future operation by Amtrak. We believe that an agreement between Southern and Amtrak which would permit a smooth assumption of operations by Amtrak would have minimal effect on the Amtrak authorization bill and would clearly be in the public interest. We support House Concurrent Resolution No. 494 for the reasons stated.

[Whereupon, the hearing was adjourned at 11:35 a.m. to reconvene at 10:30 a.m., Monday, February 13, 1978 in room 1202, Dirksen Senate Office Building.]

NATIONAL RAILROAD PASSENGER CORPORATION AUTHORIZATION ACT OF 1978

MONDAY, MARCH 13, 1978

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON SURFACE TRANSPORTATION,
Washington, D.C.

The subcommittee met at 10:30 a.m. in room 1202, Dirksen Senate Office Building, Hon. Russell B. Long (chairman of the subcommittee) presiding.

OPENING STATEMENT BY SENATOR LONG

Senator LONG. This hearing will come to order.

Today we continue hearings on S. 2478, the National Railway Passenger Corporation Authorization Act of 1978. These hearings are a continuation of Friday's hearings and will conclude our scheduled public review of Amtrak's operations and financial requirements for fiscal year 1979.

The hearing record will remain open for 2 weeks for the purpose of receiving additional comments and for receiving answers to questions that the subcommittee may wish to propose to witnesses after their appearance.

I want to remind witnesses that we have quite a few individuals to hear from today; and we are asking each witness to limit the presentation to a 10-minute summary of the prepared statement.

We on the Finance Committee for years have been using an egg timer, a so-called minute reminder, to let people know when 10 minutes have expired. We will follow this procedure today.

Mr. Richard Knowlton of the Association of American Railroads, general counsel for the Atchison, Topeka & Santa Fe Railroad, of Chicago, Ill., is our first witness.

STATEMENT OF RICHARD KNOWLTON, ASSOCIATION OF AMERICAN RAILROADS, GENERAL COUNSEL, A.T. & S.F., CHICAGO, ILL.

Mr. KNOWLTON. I am from the Santa Fe, and I have been asked by the Amtrak participating roads, the railroads that contracted with Amtrak in 1971, to appear in opposition to section 5 of S. 2478.

I heretofore filed a statement. I will abide by your admonition, Mr. Chairman, and keep my résumé very, very short.

The gist of our opposition to section 5, which would severely limit the Interstate Commerce Commission's authority to fix just and reason-

able compensation to the railroads for the provision of services and the use of facilities by Amtrak, stems basically from three general areas.

As the chairman knows, the negotiation for the original Amtrak agreements by these railroads in 1971 was done under the framework of the original Rail Passenger Service Act of 1970, which assured the railroads that in the event that negotiations were not fruitful or mutually agreeable to either side, that either side could have recourse to the Interstate Commerce Commission to obtain just and reasonable compensation, as the Commission had long used that phrase in determining railroad costing and the costs of services rendered by the railroads.

The railroads were mindful that when they afforded the use of their facilities and provided services for other railroads, the Commission had standards for just and reasonable compensation. During the implementation of the original agreement in which the parties had left open the further completion of negotiation of just and reasonable compensation, Congress amended section 402 of the Rail Passenger Service Act to provide that certain portions of just and reasonable compensation could be equated with quality of service.

However, the Congress did not alter the basic standard that with quality of services, with good performances of service, full, just, and reasonable compensation as determined by the Commission was available to the carriers.

The section 5 of S. 2478 goes substantially beyond that, and severely curtails the rights of railroads now to procure full just and reasonable compensation. Very briefly, it does that in three ways.

While quality of service heretofore under the 1973 amendment was limited to that portion of just and reasonable compensation to which the railroads were entitled for the provision of services, now section 5 would bring in the use of tracks and facilities, and limit that completely to avoidable costs.

In other words, use of tracks and facilities by this section would be limited to those avoidable costs which could be established by the railroads regardless of quality of services. A railroad which maintains its track in tiptop shape, which makes improvements to its track and other plant facilities, would be entitled to absolutely no compensation therefor.

A second major defect in section 5 of S. 2478, Mr. Chairman, is that in defining "avoidable costs," which we feel is unnecessary, the definition adopted by this section would, on close scrutiny, eliminate the reimbursement of costs for the use of facilities which are solely used by Amtrak.

That is to say, on my railroad and on several others, Amtrak currently has properties, structures, stations, tracks, yards, and other plant facilities, solely used by Amtrak; 100 percent used by Amtrak. They are maintained and stay in existence solely for Amtrak's use.

By virtue of section 5—and the portion thereof which defines "avoidable costs"—Amtrak would receive those facilities without charge. The railroads would be required to maintain them, to continue to incur the property costs of ownership thereof, and receive absolutely no benefit whatsoever.

Finally, many of the railroads object to that portion of section 5 relating to incentive, or so-called incentive compensation in excess of

avoidable costs, in that it requires the Commission, or would require the Commission in awarding such compensation to condition such on improvement of services.

Many of the railroads feel now that they have achieved a high level of Amtrak service; and if that is the case, and if that service is now maintained at a high level, those railroads could not conceivably get any excess compensation. That level of service could not be improved.

Very basically, the thrust of the railroads is—and I am speaking not only on behalf of all the Amtrak roads, but particularly on the part of Santa Fe—is that the objective of fine passenger service in this country depends on mutual cooperation between Amtrak and the roads; and that mutually, that endeavor on behalf of both the railroads and Amtrak depends on their ability to each negotiate openly and freely with each other.

If the Congress restricts the Commission's role to stand as a backup in the failure of negotiations, and unduly restricts the Commission's authority to afford just and reasonable compensation, of course Amtrak is going to negotiate from that basis.

Outstanding passenger service in this country cannot be achieved if the railroads are not given an opportunity to freely negotiate with Amtrak for just and reasonable compensation that's mutually acceptable to both parties.

Thank you, Mr. Chairman.

Senator LONG. Thank you very much.

Mr. KNOWLTON. Thank you.

[The statement follows:]

STATEMENT OF RICHARD K. KNOWLTON

Mr. Chairman and members of the Committee:

My name is Richard K. Knowlton. I am General Counsel of The Atchison, Topeka and Santa Fe Railway Company. This statement is filed on behalf of the following railroads, all of which are providing services for the National Railroad Passenger Corporation ("Amtrak") under contract:

Atchison, Topeka and Santa Fe Railway Company; Baltimore and Ohio Railroad Company; Burlington Northern Inc.; Chesapeake and Ohio Railway Company; Chicago, Milwaukee, St. Paul & Pacific Railroad Company; Consolidated Rail Corporation; Illinois Central Gulf Railroad; Louisville and Nashville Railroad Company; Missouri Pacific Railroad Company; Norfolk and Western Railway Company; Richmond, Fredericksburg and Potomac Railroad Company; Seaboard Coast Line Railroad; Southern Pacific Transportation Company; Union Pacific Railroad Company.

The purpose of this statement is to express the objection of these railroads to Section 5 of S. 2478 to the extent that such proposed legislation would further unduly restrict the Interstate Commerce Commission in determining a just and reasonable compensation for the provision of service and facilities for Amtrak by these railroads and, consequently, seriously impair the ability of these railroads to negotiate with Amtrak compensation for the provision of services and use of facilities on a fair and equitable basis.

The Rail Passenger Service Act of 1970 permitted railroads operating intercity passenger service to be relieved of that responsibility by contributing to Amtrak substantial cash payments based upon each such railroad's 1969 passenger deficits or losses. These payments were designated by the Act as relieving the railroads of their entire economic responsibility. While the railroads were mindful of the further provisions of the original Rail Passenger Service Act of 1970 affording Amtrak the right to the services of such railroads as well as the use of their tracks and facilities for passenger operations, Section 402 of the Act directed the Interstate Commerce Commission to order Amtrak to compen-

sate the railroads on a just and reasonable basis in the event negotiations failed to produce that result.¹ The Act placed no restrictions upon the Commission's utilization of its expertise and experience in railroad costing to determine proper and equitable levels of reimbursement. Consequently, recourse to the Commission for its determination of just and reasonable compensation was regarded by the railroads as a vital safeguard to insure that their contributions to Amtrak would in fact relieve them of future financial responsibilities for inter-city passenger service.

The original contracts between these railroads and Amtrak were negotiated in 1971 with the express reservation by the railroads that the exigencies of time prevented a full negotiation of a just and reasonable compensation. Accordingly, Article 5 of that agreement provided that compensation after July 1, 1973, would be renegotiated by the parties or determined by the Commission pursuant to the standard set forth in the Rail Passenger Service Act.

During the course of such renegotiations between several of the railroads and Amtrak, Congress enacted the Amtrak Improvement Act of 1973. This legislation, designed to improve the provision of services by the railroads, provided as an addendum to the just and reasonable compensation standard in the 1970 Act:

In fixing just and reasonable compensation for the provision of services ordered by the Commission under the preceding sentence, the Commission shall, in fixing compensation in excess of incremental costs, consider quality of service as a major factor in determining the amount (if any) of such compensation.

Congress thus provided that whenever the Commission fixed compensation which Amtrak was to pay a railroad for providing services, any such compensation in excess of incremental costs would depend upon the quality of the service provided. No such restriction was placed upon just and reasonable compensation for the use of tracks and facilities. The legislation emphasized the sense of the Congress that improved quality of service would flow from incentives to improve performance of service. As a result, the 1973 amendment did not deprive the contracting railroads of the right to just and reasonable compensation for providing services for Amtrak or affording it the use of its tracks and facilities. It merely conditioned the right of the railroad to a portion of that reimbursement for the provision of services upon the quality of services provided.

Amtrak representatives would espouse the 1978 proposed legislation as necessary to clarify the compensation principles to be applied by the Interstate Commerce Commission under the 1973 amendment to the Rail Passenger Service Act. Section 5 of S. 2478, however, goes far beyond that suggested purpose and severely curtails the scope of just and reasonable compensation. The section provides that:

1. Compensation for the use of a railroad's tracks and facilities would be limited to avoidable costs, with no excess permitted in any circumstances;

2. Compensation for the provision of services in excess of avoidable costs would be permitted only (a) in proportion to increases in the quality of services provided, and (b) attainment of on-time performance in excess of 80% of the time under the fastest practicable operating schedule;

3. Avoidable costs, including those arising from the use of tracks and facilities, would be restricted to (a) solely related costs and (b) the avoidable portion of variable common costs;

4. Avoidable costs would not include (a) fixed common costs, (b) allocable non-variable common costs, (c) return on investment, or (d) rent.

As proposed the section has three substantial deficiencies. Firstly, it restricts compensation for the use of tracks and facilities to avoidable costs. Secondly, solely-related costs are excluded from the definition of avoidable costs. Thirdly, the conditions under which compensation in excess of avoidable costs would be permitted are both unproductive and inequitable.

If it is the intent of this legislation to clarify the 1973 amendment so as to direct the Commission to condition compensation in excess of avoidable costs upon quality of railroad performance, such can be accomplished by merely inserting the phrase "or the use of tracks and facilities" after the phrase "provision of services" in the third sentence of subsection (a) (1) (A), and eliminate the en-

¹ The pertinent provision of the Act provided that if the parties failed to agree the Commission could "order the provision of services or the use of tracks or facilities of the railroad by (Amtrak) on such terms and for such compensation as the Commission may fix as just and reasonable, * * *."

tire second sentence of such subsection. By precluding any compensation for the use of tracks and facilities in excess of avoidable costs regardless of quality of performance by the railroad, Section 5 would eliminate reimbursement to the railroad of any of its property costs, such as return on investment, rents, property taxes, insurance or other fixed costs which historically have been regarded as a part of just and reasonable compensation for the use of facilities. The railroad should not be denied recovering an equitable portion of these costs for commonly used facilities where the circumstances justify such recovery, either by virtue of quality of performance or of economic necessity to the railroad.

The contracting railroads, of course, must recover these costs somewhere, and the hard question as to who should bear them is not satisfied by adopting an easy answer simply that Amtrak, regardless of the extent of its use, shall not. Such an excuse merely calls for the subsidization of Amtrak operations by other rail users. Moreover, Congress directed in the 4R Act of 1976 that the railroads must be revitalized, that fixed costs must be met and that an adequate return on investment must be realized. In Section 205 of that Act Congress directed the Commission to make a continuing effort to assist the railroads to attain revenue levels which cover "total operating expenses, including depreciation and obsolescence, plus a fair, reasonable and economic profit or return (or both) on capital employed in the business." If this Congressional and national objective is to be attained, users of rail transportation services, including Amtrak as well as freight shippers, will have to contribute to the fixed as well as variable (or avoidable) costs of providing services and facilities.²

Consequently, although Amtrak's passenger operations have already consumed, and will continue to consume, rail facilities so as to contribute to the railroads' long-term fixed costs, including the cost of capital, the proposed legislation would relieve it of any responsibility for sharing in these costs on the ground that they are not avoidable costs on a short-term basis. The result would be to shift the burden of these costs to other users of rail service so as to provide a direct subsidy of Amtrak's operations. If Amtrak is to be regarded as a viable private enterprise it should contribute its fair and equitable share of the costs of railroad facilities utilized by it. If, on the other hand, Amtrak is to be considered an instrument of social necessity, then its subsidy should come from the Government and not from the private sector.

In any event, the ultimate conclusion as to Amtrak's fair and equitable responsibility for costs arising from its use of a railroad's tracks and facilities will necessarily vary as between particular railroads and should be determined by the Commission on a case-to-case basis, with the Commission free to exercise its expertise as to the elements of cost necessarily to be recovered by a given railroad in light of particular circumstances involved.

The second substantial deficiency of Section 5 of S. 2478 stems from the specific exclusions from avoidable costs. Implementation of the section in this regard would exclude compensation currently acknowledged by Amtrak to be reimbursable to the railroads as solely-related costs for the exclusive use by Amtrak of railroad facilities. Amtrak has assumed responsibility for property costs where a facility is dedicated to its sole use, including not only a rent based upon fair market value (including return on investment), but also the other fixed costs associated with such facility. To exclude these from compensable costs would permit Amtrak to have exclusive use of railroad trackage, stations, or other plant and structures for merely the cost of the maintenance thereof, leaving the owner of such properties to absorb all other property costs incidental to such ownership.

The exclusions from avoidable costs set forth in subsection (B) of Section 5 are unnecessary in any event since unless those excluded costs were solely related to Amtrak service such would not constitute avoidable costs.

The conditions imposed by Section 5 for compensation in excess of avoidable costs are arbitrary, unproductive and inequitable. The 1973 amendment left to the parties, or to the Commission, discretion as to the implementation of equating quality of performance to compensation in excess of incremental costs. Section 5 of S. 2478 would substitute for this Commission discretion the mandate that such compensation be allowed only in proportion to increases in the quality of service and only where the Railroad provides in excess of 80% on-time performance under the fastest practicable operating schedule. This provision is

² It should be noted that all costs are variable over the long run, a fact which is not recognized by Section 5 of S. 2478.

not only unworkable and inequitable, but is contrary to the intent of the 1973 amendment of providing greater compensation for quality service. Standard criteria cannot be established among the various railroads for "the fastest practicable operating schedules" providing the basis for the proposed 80% on-time performance. A railroad operating Amtrak services in a moderate climate for a relatively short distance over a light density line maintained at FRA Class 4 standards with few intermediate stops would have a totally different challenge presented to it by this section than a railroad operating Amtrak service in the northerly states over long distances on heavy freight density lines maintained to high FRA standards. A totally different set of circumstances would be presented by high-speed corridor lines with heavy passenger service, frequent stops and peak periods of passenger travel.

More difficult to rationalize as part of an incentive program is the requirement that compensation in excess of avoidable costs only be permitted in proportion to increases in the quality of service. Such requirement rewards only railroads with poor performance records and penalizes those railroads which have now attained or had previously maintained records of high quality service. The result would be the elimination of incentives to a railroad which currently maintains an excellent physical plant and provides passenger services for Amtrak to the best of its managerial and operating abilities.

Presumably the intent of the incentive compensation concept is to promote dependable and quality Amtrak passenger service throughout the nation. What is necessary to accomplish this overall design for any particular Amtrak route depends on the circumstances of such route and of the railroad called upon to provide the service thereover. Necessarily such circumstances vary. Incentives are not only desirable to improve unsatisfactory prior service performance, but also maintain existing high levels of performance.

A national objective of quality passenger service can only be accomplished by negotiations between Amtrak and the various railroads which result in a mutually satisfactory arrangement by which the railroad can work toward attainable incentives. Recourse to the Commission must also have that same flexibility to permit the Commission to prescribe mutually acceptable and attainable incentives.

In summary, the railroads on whose behalf this statement is filed would like to stress that Amtrak cannot reach its long-term objectives without a working arrangement with these railroads which permits a fair and equitable compensation to those railroads for the services and facilities provided to Amtrak.

Senator LONG. Next, we will call Mr. Cliff Elkins of the National Conference of State Railway Officials, Washington, D.C., accompanied by Mr. E. L. Tennyson.

STATEMENT OF CLIFF ELKINS, NATIONAL CONFERENCE OF STATE RAILWAY OFFICIALS; ACCOMPANIED BY E. L. TENNYSON

Mr. ELKINS. Thank you, Senator. With me is Mr. Ed Tennyson, deputy secretary of the Pennsylvania Department of Transportation, also, who has a few remarks to make in view of his prepared testimony submitted to the committee.

In consideration of time, I will be very brief. I will summarize the written testimony.

The National Conference of State Railway Officials is the entity that represents the State agencies that have been designated by the respective Governors to do rail planning and rail activities under the process created in the Railway Act. All States except Hawaii and Alaska are actively engaged in rail transportation matters, both rail freight and rail passenger.

We are deeply appreciative of the bill that has been introduced by yourself, S. 2478, and the interest shown by the subcommittee in considering this legislation.

We view the present issues before the committee in this legislation, basically, to be twofold in nature: One which we are deeply concerned about is the pending study of the country's rail passenger service, now being conducted by the Secretary of Transportation, and after the completion of the study, having this study implemented into meaningful future legislation, and the role of rail transportation to the transportation systems of the United States.

I would like to go to a few of the provisions of the act, and make some specific comments.

In authorization of appropriations, our members, at this time, have no problem with the amount being authorized. We feel this is a fair amount and would maintain a status quo system until the studies are completed.

We do suggest one modification in the method in which Amtrak appropriations are being handled. We think one of the key and most significant services being operated is what is known as the 403(b) services created under the Rail Passenger Act.

This is where the States and Amtrak can jointly enter into services where the States fund 50 percent and Amtrak funds 50 percent. One of the problems created historically in the approximate 5 or 6 years that this legislation has been enacted is all too often the States go to Amtrak, request the 403(b) service, and are told Amtrak does not have the facilities or funds to enter into those services.

I believe the present legislation says that Amtrak will provide these services to the extent funds and facilities are available. We are suggesting that 3 percent of the Amtrak budget be reserved for 403(b) services.

This would make a fund of approximately \$17 million. To date, our indications are that the State funding and the Amtrak funding is approximately 5 States that are engaged in 403(b) services. We feel the \$17 million amount, or the 3 percent, would allow needed growth into this area.

Another area that we have very grave concern about is the present route examination studies that are being conducted by the Secretary. Our concern is that we view these studies as being conducted in a vacuum by removed "ivory tower" bureaucrats and their hired consultants who do not have firsthand knowledge of what is going on in the States and what the people of the States—what the rail passenger market in this country actually needs in terms of service.

We have attempted to have meetings with the people conducting these studies. We feel it is a one-way street.

Our views are expressed. We have no idea of how they are being considered. We feel that these studies are critical, that the future of rail passenger service in this country is really dependent on what these studies provide.

We have also made a suggestion on this proposed legislation. We feel it is essential that a study review panel be created within 10 days of implementation of this legislation.

We are aware of the public review process that was created under this legislation; but having the—the States have gone through the problems and the final system plan, we had a review process similar to what is proposed. We feel on the development stage, it is necessary to have input.

What we are suggesting is that a study review panel, consisting of representatives of the States, appropriate representation from Amtrak, and the Secretary of Transportation, be created to review this study prior to it being released. At that time, it could then go into the public hearing process.

In addition to that, we suggested some technical changes which we think are minor, and just some wording changes that would implement and better reflect some of the concerns we have with this legislation.

On the Northeast corridor, we have no particular detailed statements. We are pleased to note Mr. Gambaccini will be testifying. He will be addressing some specific comments as they relate to the Northeast corridor and the problems that are being incurred there.

Also, our members are supportive of the cost methodology referred to on page 12 of this legislation on solely related costs between Amtrak and its dealings with the railroads providing passenger service.

In the last section under "Miscellaneous," the part dealing with maintenance of highway bridges and structures over Amtrak, we are very concerned that it would be premature to remove this maintenance by other than Amtrak.

The Northeast corridor has envisioned many problems created under the 3-R Act. Mr. Tennyson has comments on that. We will be submitting a letter from the State of Rhode Island, and outlining some of the problems; in general, very supportive of FRA Administrator Sullivan's comment on this issue. We think he addressed this very well.

In conclusion, we feel that the future of rail passenger service in the United States is in the hands of the committee, and what comes out of the studies as the next step, we think is going to decide what happens to rail passenger service in the country.

We think the key issue to keep in mind what we are talking about is not rail passenger service as it exists today, what is likely to happen in the years to come, in the 2-, 5-, and 10-year future.

We think it would be precipitous to write off a transportation mode we may need desperately 5 years from now. I think evidence of the recent energy crisis and factors of what we are facing in public priorities stand in line of what we are likely to face in the future.

We appreciate your time. Unless you have questions, I will have Mr. Tennyson make his remarks.

Senator LONG. Mr. Tennyson?

Mr. TENNYSON. Thank you, gentlemen. It is my pleasure to be able to explain to you the nature of Pennsylvania's interest with regard to rail passenger service as provided by Amtrak.

I am the deputy secretary for the department in charge of air, rail, and bus transportation. I am a registered professional engineer in Ohio and Pennsylvania.

Now, we have two factors here which I think need to be covered to add to the testimony of the national association. One is the public need for this service. Where the service is late or scheduled at odd hours, of course, the public need is not fully evident. The need to reduce traffic congestion, conserve petroleum, save money in the total picture, is well served by rail passenger service.

Where it is running under good conditions, we get as high as 33 percent by rail. It is the only type of transportation for shorter dis-

tances that can compete with the automobile. Neither the bus nor the airplane is effective in converting large numbers of people from the highway, where we have these terrific highway problems.

We cannot afford to provide highway space for everyone. Everyone cannot use highway space. We have an \$80 billion interstate highway program. We have a \$6 billion annual subsidy to the highways; and there is no way that a national railroad passenger service can exist in the face of these huge Federal outlays and State outlays unless it, too, is included in the budget.

Now, the difficulty with making Amtrak more efficient at the present time, it needs to be more efficient certainly, gentlemen; we agree. The maintenance costs are too high; revenue is too low due to poor performance.

Basically, there is an infrastructure cost here which we have to meet. The operating and maintenance of the trains is not the big costs. If trains are curtailed, the costs of the remaining trains skyrocket. It is almost an all or nothing situation with the exception of the fringe trains, which, obviously, are mistakes.

The basic system cannot be curtailed without increasing the cost of the balance. Actually, additional trains are needed where the structures are in place to increase the revenue, to increase the usefulness, and to reduce the unit costs. The reduction in unit costs is the only way to make this system more viable.

In addition to the operating and maintenance expenses, we have administrative costs which are not flexible. They run into 10 or 12 percent of the total budget. We have railroad payments which are not flexible. They have to be made; the track has to be maintained; but you cannot reduce them by eliminating trains.

Capital equipment must be purchased. After 20 to 30 years of destitute deterioration, the system cannot just go forward with what it has. It has to have new equipment, new facilities, for the years ahead. The 1949-50 equipment is no longer adequate.

With regard to the highway problems, just briefly—I appreciate that my time is up—we will have in section 9(b) overhead structures which no one will own. If Amtrak has no responsibility for them, they are not on the State highway system, and they don't belong to the local community, they will be there with no one responsible for them until they fall on the track.

We cannot have this, gentlemen. We do not expect Amtrak to pay for highway costs; not at all. Someone has to be responsible for bridges, particularly where high voltage trolley wires are attached to them.

No one but the railroad can maintain them due to the danger of having other people working with these high voltage circuits on railroad property.

Thank you very much.

Senator Long. Thank you very much, gentlemen.

[The statements follow:]

STATEMENT OF CLIFFORD ELKINS OF THE NATIONAL CONFERENCE OF STATE RAILWAY OFFICIALS

I. INTRODUCTION

Mr. Chairman, my name is Clifford Elkins and I am Director of the National Conference of State Railway Officials which is the organization representing the

State agencies designated by their respective Governors to prepare State rail plans under the State rail process created by the Railroad Revitalization and Regulatory Reform Act of 1976.

At the present time, all States are engaged in rail planning, except Hawaii and Alaska. These activities include both rail freight and passenger considerations.

We are deeply appreciative of the interest shown in rail passenger service of the Country by you Mr. Chairman, and the Subcommittee by introducing and considering S. 2478. The Conference believes that the future of rail passenger service in the United States is at the junction and the switch is in the hands of Congress as to whether the track will be a meaningful and successful rail passenger service, or the track to the transportation of the country being impaired by the elimination of essential rail passenger service.

We view the present considerations by this Subcommittee to be twofold, namely : consideration and evaluation of the route examination studies being conducted by the Secretary of Transportation, and the continued operation of the AMTRAK system until these studies can be fully evaluated by the States, rail users, and Congress. This study will then have to be implemented into future legislation which will allow the citizens of the United States to have rail passenger transportation to assume its proper role in the transportation system of the United States.

II. AUTHORIZATION OF APPROPRIATIONS

We support the level of funding called for in S. 2478. We are not at this time commenting on the amount provided for the Northeast corridor since that issue will be handled directly by those States directly concerned with the Northeast corridor.

We do, however, respectfully request the Subcommittee to consider a modification in the authorization of appropriations. Specifically a minimum of 3% of the operating and capital appropriations be earmarked and reserved for joint State services with AMTRAK as provided under Section 403(b) of the Rail Passenger Act whereby the States provide 50% of the funds for these services.

We believe these services are to the benefit of AMTRAK, the States, and the public and should be encouraged. Under the present system, all too often AMTRAK tells the States they are unable to enter into any 403(b) services because they do not have the funds or equipment available. Under the present 403(b) legislation, AMTRAK only has to provide such services to the extent their facilities and funds will permit.

We believe the 3% provision we are suggesting will solve this problem. I am advised by our States that AMTRAK is now funding such services at \$10 million annually. This proposed modification would be approximately \$17 million and allow for needed growth in this area.

III. ROUTE REEXAMINATION

Mr. Chairman, we have deep concern with the studies being conducted by the Secretary and route reexamination techniques. We respectfully wish to emphasize that that during the pendency of the reexamination no routes or services be prematurely eliminated or reduced.

One of our basic concerns with the reexamination studies by the Secretary is they have ignored any meaningful input from the States. We firmly believe that the States have a strong contributory role in these studies and the assistance of the States should be at the study development stage and no merely reduced to being a reactive role.

In addition to being financial partners with AMTRAK in 403(b) services the States for many years, indeed long before the creation of AMTRAK, have been concerned with providing for the transportation needs of its citizens.

We maintain that it is the States who have the first hand knowledge and closer look at their citizens' needs rather than the Washington Ivory Tower bureaucrat and his hired consultants who in most cases have no first hand knowledge of the needs of people they are making vital decisions for and factors that will effect the economic viability of communities and States.

To accomplish this essential need we suggest that this legislation be amended to establish a study review panel consisting of 3 representatives of the States, appropriate representation from AMTRAK and the Secretary of Transportation.

Such a panel should be established within 10 days after the effective date of this bill and accordingly the review panel should have 60 days to make any necessary modifications prior to the study entering the public comment period called for in this legislation.

Some other important modifications which we would like to call to the Subcommittee's attention under this Section are:

1. *On page 3, line 5:* The following should be added. Remove the period after the words "basic system"; add "*and all present 403(b) services.*" We have primarily stressed the importance of 403(b) services and we believe this modification will have these services receive their proper consideration.

2. *On page 3, lines 7 through 9 be deleted and replaced with the following:* "The ability of other public transportation modes to serve the markets to be served by the recommended route system".

We suggest this modification will have accurately reflected a proper evaluation of rail passenger transportation and its relationship to the automobile as well as public transportation.

3. *On page 4, line 8:* add the designated State Rail Planning Agencies. In some States entities other than the Department of Transportation or Public Utility Commissions have been designated. By serving these agencies directly, needed and valuable time can be saved in the review process.

This same modification should be made on page 6, line 5.

4. *On page 5, line 16:* *The work affected should be deleted.* We suggest all States should be considered since there is usually a ripple effect in changing rail passenger services and such effects may be more national in scope rather than confined to a single State.

5. *On page 6, lines 5 and 6:* This should be changed to all States for the reason noted on item No. 4.

IV. NORTHEAST CORRIDOR

While we have previously stated we have no detailed comments on this section of the bill, we do believe that the cost methodology referred to on page 12, lines 13 and 14 are solely related by the common cost standard to be used by AMTRAK in its contractual dealings with railroads in providing passenger services.

V. MISCELLANEOUS

We urge that lines 17 through 19 on page 14 be deleted since this section raises an issue that is presently very complex and difficult. In many instances there is much doubt who owns and has the obligation to maintain highway bridges and structures over railroads. We believe it is premature to transfer such responsibilities and that this section be deleted and assigned for further study. The States would be pleased to assist and develop such studies.

VI. CONCLUSIONS

Attached to my testimony are a statement from the North Dakota Public Service Commission and letters to Secretary Adams from the States of New York and Ohio which reflect some particular concerns of these States.

In conclusion, we wish to stress what is before the Congress is the future of rail passengers in the United States. This requires forward looking by all concerned and the mistakes of the past and present should not preclude the development of needed rail passenger services in the future.

We appreciate the opportunity to be heard on this vital subject today.

EXHIBIT A

STATEMENT OF BRUCE HAGEN, COMMISSIONER, NORTH DAKOTA PUBLIC SERVICE COMMISSION, BEFORE THE PASSENGER COMMITTEE OF THE COUNCIL OF STATE RAILWAY OFFICIALS, DENVER, COLO., MARCH 9, 1978

The State of North Dakota is vitally interested in continuation of Amtrak service on the two lines through North Dakota between Chicago, Minneapolis, and Seattle. We are concerned with the current attempts to redraw the Amtrak map because of past reductions in service and broken promises by Amtrak.

Rail passenger service has been traditionally important to North Dakota because of lack of development of other competing modes. Even at this late date, a trip from Grand Forks to Seattle by plane involves a 600-mile detour through Minneapolis. Inter-city bus service is mostly provided by independent companies, with the result that there is no through-motor-coach service along this route, as well. The route of the "Empire Builder" through Grand Forks, Minot, Williston and Havre is the only Amtrak route not paralleled by an interstate highway. In the past two winters, there have been severe weather conditions, when the pas-

senger trains were the only means of conveyance connecting North Dakota cities.

At the time of Amtrak's formation, service was being provided on a daily basis between Minneapolis and Seattle via Bismarck and via Minot. Amtrak reduced this to a daily train via Grand Forks and Minot. Service was added later in 1971 for an experimental tri-weekly train between Minneapolis and Seattle via Bismarck, which later became part of the basic Amtrak system. Unlike most of the Amtrak trains, this "North Coast Hiawatha" was reduced every fall to tri-weekly operation and then made daily during the summer. It passed through North Dakota towns in the middle of the night, thus not attracting much patronage.

In mid 1977, Amtrak announced budget cuts and corresponding reductions in service. Although the service cuts were scheduled for all areas of the country, a supplementary appropriation went into effect in September 1977, and the cut-backs did not take place—except for the *Empire Builder* and *North Coast Hiawatha*, which have been reduced to four times and three times per week each way, respectively. For the first time since the 19th Century, we have less than daily service to all cities except Fargo. Essentially, there is but one Chicago-Seattle train, which takes different routes on alternate days.

Besides the reduction in service, we have received little but empty promises from Amtrak. Service to Winnipeg, which would connect with the new via Rail Canada system, has been proposed but has come to not. The Chicago-Seattle trains were promised to receive the new electrically-heated *superliners*, but the trains are not yet out-shopped and the future of the trains themselves seem in doubt.

Finally, in late 1977, Amtrak announced a study precedent to the possible elimination or reduction in service. The public was invited to comment on various plans for service restructuring; none of which would include the continuation of the *Empire Builder*. Only a Congressionally-imposed moratorium on discontinuance of service pending a national study prevented Amtrak from putting these plans into effect.

This is why North Dakotans are unwilling to go along with plans for further reduction or rerouting of Chicago-Seattle service. Although there has been much talk of service reductions, in fact, our area is the only part of the country which has actually made any sacrifices. Our elected officials, Congressional delegation, and citizenry are reluctant to support a system which will not benefit our State and its people. Amtrak's five-year plan proposes Grand Forks-Winnipeg service, which would not be possible if the *Empire Builder* is discontinued. Rerouting of the trains away from the Minneapolis-Spokane route would leave the entire northern tier of States west of the Great Lakes bereft of railway passenger service.

We feel that the long-haul train should not be made the scapegoat for Amtrak's financial embarrassment. A recent ICC study shows that only a third of Amtrak's expenses are directly related to train operation. Administration, taxes, infrastructure, executive salaries, cost-plus arrangements with the railroads, and counter-productive labor agreements take a much greater share of the taxpayers' dollars. Significant savings will not occur until these basic problems are dealt with.

Congress and the public have perceived the need for the railroad passenger network. There may or may not be a need for the present Amtrak corporation—a privately-owned company, which is a recipient of Federal funds and enjoys a monopoly status. It may be that some other system, whether a nationalized operation, competitive bidding, or a regional approach, may be a better way to operate passenger service than the present monolith. We agree that the entire Amtrak system and concept need to be re-examined. We support the proposed extension of the DOT (Department of Transportation) study to May 1, 1978, and public hearings by the Office of Rail Public Council as found in Senate 2478, as well as the directive of the Post Office to ship mail by Amtrak whenever possible and the exemption to the Animal Welfare Act which would allow the train to carry cats and dogs as baggage under humane conditions. We feel that H.R. 11089 is an acceptable bill except that it does not provide for adequate input from State officials in areas serviced by the Amtrak system. We find that Senate 2478 is a preferable bill.

North Dakota's research facilities have been studying the problems involving Amtrak's operation in our State for three years now. We feel we have valuable input to make to any system development and would be glad to be of service to this group in making sure that any future system is both cost-effective and balanced in its service to all areas of the country.

EXHIBIT B

OHIO RAIL TRANSPORTATION AUTHORITY,
Columbus, Ohio, February 21, 1978.

HON. BROCK ADAMS,
Secretary of Transportation, U.S. Department of Transportation,
Washington, D.C.

DEAR MR. SECRETARY: The Ohio Rail Transportation Authority shares the concerns generally reflected by Commissioner Hennessy of New York in his letter to you of February 9, 1978. At a meeting in Chicago on January 5, 1978, representatives of several states, including those cited by the Commissioner, agreed in principal with the concept of a restructured Amtrak service. Discussions of the specific New York proposal were limited, considering the breadth of deliberations regarding national railroad freight and passenger transportation problems.

The purpose of the proposals by New York are to urge the development of routes to best serve the region. The first step in that process is to better structure Amtrak routes immediately before service deteriorates beyond the point that the current subsidy levels will not support the program. That outcome is imminent. Also, these suggested route and service changes are short-term solutions that can be incorporated in the long-term study being conducted by the Federal Railroad Administration.

In concert with New York, Ohio expects that the Federal Railroad Administration study of the national railroad passenger service system will be comprehensive. A copy of the Ohio High Speed Rail Passenger Plan was transmitted to you for review and if appropriate inclusion in the FRA study. Your attention is directed to both the system characteristics and the demand analysis. Careful review of inputs such as these from all interested parties will confirm Commissioner Hennessy's commentary regarding good rail marketability based on high travel corridors and short-haul trips, especially in the regions east of Chicago.

Along with New York, Ohio strongly supports the concept of rail passenger service realignment so that traditional markets will be revived for Amtrak. For example, there is a reasonable demand for a route from Pittsburgh to Youngstown to Cleveland. Similarly a north-south route in Ohio would serve high levels of ridership in the Cleveland-Columbus-Dayton-Cincinnati corridor. With these "new" markets and a restructuring of those poorly served in Ohio, Pennsylvania, Michigan, New York, Illinois and the New England states, Amtrak costs could be reduced and its revenues increased.

As previously noted, the specific proposals referred to in the February 9, 1978 letter, were discussed only briefly at the January meeting. A complete program proposal requires extensive deliberations among the affected states, Amtrak, FRA and your office. Thus the Commissioner's train routes and schedules should be interpreted as an initial set of proposals to be a base for those deliberations.

Finally it is the understanding of this office that FRA intends to publish its Amtrak study without submitting a draft to the affected states for comment. Based on extensive public service experiences, we feel that publication (albeit with subsequent public hearings) prior to measuring the external impacts of such a study will heighten the adversary effects of the report. To date the significantly affected states have had little interaction with those at FRA conducting the study. Therefore Ohio suggests that the New York proposal be the springboard for a federal-state cooperative effort to be included in the FRA-Amtrak study.

Sincerely,

NAT SIMONS, Jr.,
Executive Director.

EXHIBIT C

NEW YORK STATE DEPARTMENT OF TRANSPORTATION,
Albany, N.Y.

HON. BROCK ADAMS,
Secretary of Transportation, U.S. Department of Transportation,
Washington, D.C.

DEAR MR. SECRETARY: The rail passenger study mandated by Congress will have a profound impact on the future transportation system of this country. Hence, we know that the Federal Railroad Administration will make a thorough study and will carefully consider the input from all interested parties before reaching any conclusions.

The States of Illinois, Massachusetts, Michigan, New York and Ohio have agreed upon a restructured Northeast service. The four long-haul routes have

been realigned into high travel corridors, emphasizing short-haul trips having good rail marketability. However, connections are maintained at Chicago for Western trains, thus preserving long-haul ridership.

Several important Northeast markets are currently without rail service including Pittsburgh-Cleveland, Cleveland-Columbus-Dayton-Cincinnati, and New York-Western Michigan. Other markets are poorly scheduled, such as New York-Detroit and New York-Philadelphia-Pittsburgh. Our proposals would establish service in the three major corridors currently without service and provide better schedules in the New York-Detroit and New York-Pittsburgh markets, as well as significantly reducing total daily train miles. Train miles are the single largest determinant of the total deficit.

Outlining the specific proposals (see attachment), the Broadway Limited would be rerouted through the more populous cities of Cleveland, Toledo, Elkhart and South Bend; and daytime service from New York to Pittsburgh and from Pittsburgh and Buffalo to Cleveland, Columbus, Dayton, Cincinnati, Indianapolis and St. Louis would be substituted for the National Limited. The St. Louis-Kansas City corridor would be an extension of Chicago-St. Louis, providing a far more reliable service than the National. The Lake Shore Limited will also be restructured, having its main section operate between Buffalo and Chicago via Detroit, Ann Arbor and Kalamazoo, three large cities with substantial university student markets. Direct access would also be provided in the untapped market between Michigan and Massachusetts. In addition, a section of the Lake Shore would operate on a delayed schedule west from Buffalo on its present routing via Cleveland, connecting with the Broadway Limited and the new Ohio State Express. Under this structure, 15 percent fewer train miles would be operated each day, and at the same time major new travel markets such as Pittsburgh-Cleveland and Cleveland-Cincinnati would be served. The only segment of the current system without service would be the route through Canton, Crestline, Lima and Ft. Wayne.

We would be happy to discuss these ideas with you further and we stand ready to assist in implementing them. A few of them would require capital improvements, but all could be completed and in service this year.

Sincerely,

W. C. HENNESSY,
Commissioner.

Attachment.

NORTHEAST RAIL PASSENGER SERVICE SCHEDULES

WOLVERINE			LAKE SHORE LIMITED		
4:30p	-----	New York City	3:10p		
7:35p	A }	Albany	D 12:15p		
7:50p	D }		A 12:00n		
1:25a	A }	Buffalo	D 6:30a		
1:40a	D }		A 4:45a		
7:30a	A }	Detroit	D 11:55p		
7:40a	D }		A 11:45p		
12:25p		Chicago	5:00p		
OHIO STATE EXPRESS			BROADWAY LIMITED		
7:00a	-----	Buffalo	12:00m		
11:00a	A }	Cleveland	D 8:00p		
11:30a	D }		A 7:30p		
1:00p	A }	Columbus	D 5:00p		
2:10p	D }		A 4:50p		
5:00p	A }	Cincinnati	D 1:55p		
5:10p	D }		A 1:45p		
7:00p	A }	Indianapolis	D 11:30a		
7:10p	D }		A 11:20a		
11:10p		St. Louis	5:50a		
PHILADELPHIAN			ANN RUTLEDGE		
10:00a	-----	Philadelphia	4:25p		
5:00p	-----	Pittsburgh	9:00a		
8:35a	-----	Chicago	7:40p		
11:45a	-----	Springfield	4:10p		
2:05p	A }	St. Louis	D 2:15p		
2:20p	D }		A 2:00p		
8:05p	-----	Kansas City	8:15a		

STATEMENT OF E. L. TENNYSON

My name is E. L. Tennyson. I am the Deputy Secretary of the Pennsylvania Department of Transportation in charge of Local and Area Transportation. I am a registered professional engineer with 30 years of experience in public transportation. I am authorized to participate in matters of interstate commerce by Pennsylvania Act 120 of 1970.

Our studies and experience indicate a vital need for railroad passenger service to reduce dependence on foreign petroleum, to reduce highway congestion, to offer a safer travel alternative, and to provide economical useful travel.

We particularly support the need for specific designation of earmarked funds for Section 403-b rail passenger service where states are entitled to contract with the National Railroad Passenger Corporation for specific rail passenger service. Otherwise, if Amtrak runs over their budget, states lose the rights for services given them in section 403-b.

More broadly, it is important to realize that Amtrak has four types of expense, each of which are independent. They are:

1. Operating and maintaining trains.
2. Administrative costs.
3. Railroad payments.
4. Capital equipment.

The operating and maintenance costs are the only variable costs and do not constitute sufficiently large a portion of the total to permit service cuts to balance the budget. The value of a billion dollars worth of capital equipment can be lost or partially lost if there are insufficient funds to utilize it. Because of the fixed long term nature of railroad costs, more service generating more revenue is the only way the cost of carrying people can be lowered. One train each way per day in a major station cannot amortize the cost at a favorable rate. A second pair of trains cuts the cost nearly in half. It is therefore important to seek efficiency in the Amtrak operation and not to seek service reductions in the face of the high fixed cost that cannot be cut without eliminating all passenger service.

In our experience, people will patronize well run trains and will pay more every year to do so. The problem is to see that they are well run. Until deferred maintenance is overcome, economies will not begin to show. In the interim, the service must be properly developed and maintained.

Senator LONG. Mr. Ross Capon is our next witness. He is executive director of the National Association of Railroad Passengers.

STATEMENTS OF ROSS CAPON, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS; DWIGHT SARGENT, CHAIRMAN OF THE NEW HAMPSHIRE ASSOCIATION OF RAILROAD PASSENGERS; AND THOMAS CRIKELAIR, ASSISTANT DIRECTOR, WASHINGTON

Mr. CAPON. Good morning, Mr. Chairman. I am Ross Capon. I have with me Dwight Sargent, and Thomas Crikelair, the assistant director in our Washington office.

I am executive director of the National Association of Railroad Passengers, which is a nonprofit, consumer-oriented organization, supported entirely by membership dues and contribution. We receive no financial support from the Government, the railroad companies, Amtrak, or the railroad labor unions.

We appreciate very much the opportunity to participate in this hearing. We also appreciate the interest and support you have shown for rail passenger service, particularly as evidenced by S. 2478, an excellent bill, from our standpoint, regarding which we can suggest only two possible changes.

Our association believes that the Government has a clear responsibility to preserve and improve railroad passenger service. The energy crisis is an important reason, since rail is the travel mode best able to attract large volumes of people from their automobiles and, in some cases, from airplanes.

The energy crisis is by no means the only reason for maintaining and improving our intercity rail passenger network. The public wants this service because modern passenger trains offer comfort, the opportunity to relax in private or with fellow passengers, all-weather reliability—dramatically illustrated in Boston last month where trains provided the only transportation for a full week—and, in many situations, speed.

With specific reference to S. 2478, we especially appreciate and strongly support the provisions relating to the U.S. Postal Service, the Animal Welfare Act, the “for profit” clause in the Amtrak law, and the funding levels.

Many of our members will be happy to see pets once again permitted on the trains. When we surveyed members in 1975, we found that eliminating the “for profit” clause ranked behind only two other items—the need for better track conditions, and for new passenger cars—in importance to our membership.

We completely agree with the Chairman’s statement that:

Since it will take almost a year to put the new route structure in place, we will need sufficient authorizations to operate the existing system until such time as we can make the change to a new system.

Our two suggestions for changes in S. 2478 are regarding the ICC’s adequacy of service regulations, and the legislative veto on implementation of the route structure.

We do not believe that rail consumer interests would be well served by a suspension of the ICC regulations, and we therefore support the Commission’s suggestion of the “quick-turnaround” alternative. The route structure review process does not require a blanket suspension of the regulations.

We believe that implementation of the new route structure should be contingent upon approval by Congress by means of a concurrent resolution. This would be in contrast to S. 2478, as now written, which provides that the plan would take effect unless either the House or the Senate passed a resolution of disapproval.

The burden of rounding up votes should be placed on the administration, not on the consumers. While we appreciate the work which Congress as a whole, and this committee in particular, has done to improve rail passenger service, the fact is that what Amtrak provides today comes nowhere near to meeting the Nation’s needs for this type of transportation.

There are many lines where service is needed but is not being provided. Some of these lines have already been identified by USRA in its final system plan. Other lines already in use come nowhere near to realizing their potential because Amtrak is providing only one round trip per day, or in some cases three per week.

The administration’s performance so far forces us to consider the real possibility that the route structure it proposes will not represent

a meaningful improvement, and might even represent a step backward, from what we have today. The administration should be in a better position to round up votes than the consumer, especially because so many potential rail passenger users today don't even know that they are potential rail consumers. And we would be happy to help the administration round up votes if its plan appears reasonable to us.

The concurrent resolution approach is not without precedent. A report¹ by the Congressional Research Service lists 16 examples of "concurrent resolution of approval passed by both Houses." Under the Federal-Aid Highway Act of 1956, funds appropriated for the Interstate System "were to be apportioned among the States by the Secretary of Commerce according to a ratio based on the estimated cost of completing the Interstate System in each State. The Secretary was directed to transmit such estimates to the Senate and House. * * *

Upon approval of the estimates by Congress by means of a concurrent resolution, the Secretary could use the estimates for making apportionments for the intervening years within each 4-year period." We would like to see rail passenger service "apportioned" on the basis of a concurrent resolution as well.

Thank you again for the opportunity to testify.

Mr. SARGENT. I am Dwight Sargent, chairman of the New Hampshire Association of Railroad Passengers. I am a graduate of Dartmouth College in Hanover, N.H., and the Amos Tuck School of Business Administration, also at Dartmouth. I have studied the railroad industry and its problems—both freight and passenger—throughout my undergraduate and graduate years.

I am very much in favor of the bill S. 2478. This bill will help Amtrak achieve an objective of providing the best possible rail passenger service at the minimum per mile cost.

Four factors contribute to providing good rail service: safety, reasonable speed, reliability, and comfort. By maximizing these factors, Amtrak will attract a higher ridership and be able to work toward minimizing its costs. The bill before you will aid in increasing speed, reliability, and comfort.

S. 2478 provides for two important items in authorization of appropriations. First, it provides funding for 1 year to operate the present Amtrak system until the new plan and route structure is worked out and implemented. Second, the bill provides for \$200 million in capital funds for some track work and new long-distance eastern equipment.

The first part is good because it keeps the system operating intact while the new plan is discussed. The second part of authorizations, providing for capital grants, is the most important part of the bill. By funding the improvement of some track and new long-distance eastern equipment, the bill will permit increased speed, reliability and comfort, thus making possible a reduction of per mile passenger costs.

Equipment is the critical factor. Of the three types of rail passenger travel, two already have new equipment: corridor and long-distance western train—the latter to be introduced soon.

Where the new corridor equipment has been introduced, significant increases in travel have resulted. Ridership in these areas is up over 15

¹ "Congressional Review, Deferral and Disapproval of Executive Actions: A Summary and an Inventory of Statutory Authority," by Clark F. Norton, Apr. 30, 1976.

percent in the past year, versus 5.8 percent for the system. The third rail passenger market, long-distance eastern service, is presently being ill served by 30-year-old wornout equipment.

By not having long-distance eastern equipment, Amtrak is effectively being forced to ignore the big eastern, midwestern, and southern markets. Conversely, with the new equipment, Amtrak could aggressively sell a service to the heavily traveled overnight markets of under 1,000 miles, such as the one served by the Broadway Limited.

The cost of this equipment is not prohibitive either. When a very small regional airport in my area received just under \$1 million for runway improvement, one cannot consider \$50 or even \$100 million for new equipment to serve millions of people as disproportionate.

In conclusion, aside from the railroad problem, which is for the most part beyond Amtrak's control, the lack of low-level eastern long-distance equipment is the major problem. No effective tapping of the rail passenger in the East, South, and Midwest can be made without this equipment. No airline company would expect to compete in the passenger market with propeller planes. So Amtrak and Congress cannot expect rail service to succeed with antiquated equipment in the most populous regions of the country.

Senator LONG. Thank you very much, gentlemen.

Next we will call Mr. Louis Gambaccini, vice president and general manager of the Trans Hudson Port Authority.

[No response.]

Senator LONG. Is Mr. Gambaccini here?

[No response.]

Senator LONG. The next witness will be Mr. Michael L. Schierloh, commissioner of the city of Dayton, Ohio.

STATEMENT OF MICHAEL L. SCHIERLOH, COMMISSIONER, CITY OF DAYTON, OHIO; ACCOMPANIED BY MARK FINK

Mr. SCHIERLOH. Thank you, Senator. I am pleased to be here today. I would like to introduce Mr. Mark Fink, counsel to the city of Dayton.

My name is Michael Schierloh. My address is 101 West Third Street, Dayton. I am a city commissioner of Dayton.

The commission is the policy and legislative body of the city. Dayton, Ohio, is a municipality chartered under an Ohio law and has a population of 200,000 persons. When suburban areas are taken into account, the population of Greater Dayton is approximately 1 million persons.

I have been authorized to give this testimony on behalf of the city of Dayton in support of S. 2478. S. 2478 provides a method to comprehensively examine Amtrak's route system so as to assure that such system is properly tailored to the areas where maximum demand for rail passenger service exists. For a period of 1 year during the implementation of this new route structure, section 2 of this bill provides for the authorization of sufficient appropriations to operate the system at the present level of service. The city of Dayton strongly favors these provisions and believes that enactment of S. 2478 would significantly aid not only its effort to maintain adequate rail service for

its citizens, but the nationwide effort to improve rail passenger service and help insure that the public receives the maximum benefits from the Government's appropriations in this area.

In accordance with this bill, a thorough reexamination of the present Amtrak route system would be undertaken and the public would be afforded a full opportunity to comment upon any proposed route structure. Changes would not be implemented until full and complete study of the matter had been completed and ample consideration had been given to all relevant factors.

The city of Dayton's recent experience with Amtrak has shown that the restructuring of the manner in which route decisions are made, which the proposed legislation would mandate, are badly needed. Dayton's experience has been that Amtrak's decisions with respect to service in its area have been "knee jerk" ones and not based upon any careful and reasoned assessment of all available facts. Thus, notwithstanding the fact that Dayton has recently experienced an unprecedented increase in the utilization by its citizens of rail passenger service, Amtrak attempted, as of December 1, 1977, to discontinue such service at Dayton. Moreover, this discontinuance was sought to be effected with virtually no prior notice. Only the prompt and efficient action of a number of Dayton citizens, including the filing of a lawsuit in the District of Columbia, prevented Amtrak from proceeding with its plan to eliminate rail passenger service from Dayton.

Specifically, the Amtrak service at Dayton consists of one eastbound and one westbound schedule per day, the "National Limited." Prior to April 24, 1977, the westbound train left Dayton at 4:12 a.m. and the eastbound train left at 2:10 a.m. On this date, the schedule at Dayton was changed so that the westbound train departed Dayton at 9:47 a.m. and the eastbound departed at 9:50 p.m. The effect of this schedule change on utilization of the Amtrak system was dramatic. For the period January 1 through September 30, 1977, 11,191 persons boarded or alighted the National Limited at Dayton. This represented an approximate increase of 95 percent in passenger traffic over the same period in 1976, when 5,725 persons utilized the Amtrak service at Dayton. In May 1977, there were 1,555 total riders, or 147 percent more than the monthly average for 1976, and in June 1977, ridership again increased to 1,979 persons, or 215 percent above the 1976 average. Indeed, the city of Dayton was informed that its increased utilization of Amtrak service for September 1977 as compared to September 1976 was the largest percentage increase experienced by any station on the entire Amtrak system.

The irrationality of the Amtrak decision to discontinue service at Dayton is further evident from the fact that this discontinuance would only be temporary until trackage over a southern route from Columbus to Dayton to Cincinnati is rehabilitated. Thus, Amtrak has consistently maintained in correspondence between it and ConRail as well as with the Rail Services Planning Office of the Interstate Commerce Commission that it prefers the southern routing for the National Limited. This routing has also been contemplated by both USRA preliminary and final system plans. While Dayton does not object to the southern routing, it strongly objects to any hiatus period in the provision of National Limited service pending rehabilitation of that route.

The proposed discontinuance of service at Dayton attempted by Amtrak as of December 1977 would have resulted in operating the National Limited over a northern route through the cities of Piqua, Union City, Muncie, and Anderson and eliminating existing service at Dayton. The illogic of such conduct is obvious on its face.

The uncertainty of National Limited service through Dayton and its possible discontinuance nevertheless still prevails. Thus, in the latter part of February 1978, a newspaper article appeared in the local Dayton press which stated that Amtrak would terminate rail passenger service for Dayton effective March 1, 1978. Further inquiries made on behalf of the city by its Washington counsel indicated that the press release was in error and that Amtrak did not intend, at that time, to discontinue service through Dayton. This incident does demonstrate, however, the uncertain status of rail passenger service for Dayton.

In sum, Amtrak has failed to or has been incapable of evaluating the relative merits and inadequacies of its present route structure at least insofar as it pertains to Dayton. S. 2478 would create a procedure which would overcome this deficiency in the present Amtrak state of affairs and hopefully produce a route structure which would be fair and practical and, to the greatest extent possible, meet the needs of the public. Accordingly, on behalf of the city of Dayton, I strongly recommend passage of S. 2478.

If you have any questions, I would be pleased to answer them.

Senator LONG. Thank you very much. We may want to submit some, but in view of the time restriction we have today, we will submit them later on.

Thank you very much, sir.

Mr. SCHIERLOH. Thank you.

[The statement follows:]

STATEMENT OF MICHAEL L. SCHIERLOH, COMMISSIONER, CITY OF DAYTON, OHIO

My name is Michael L. Schierloh and my address is 101 West Third Street, Dayton, Ohio 45402. I am a City Commissioner of the City of Dayton, Ohio. The Commission, of which I am a member, is the policy and legislative body of the City. Dayton, Ohio is a municipality chartered under Ohio law and has a population within its city limits of 200,000 persons. When its suburban areas are taken into account, the population of Greater Dayton is approximately one million persons. I have been authorized to give this testimony on behalf of the City of Dayton in support of S. 2478.

S. 2478 provides a method to comprehensively examine Amtrak's route system so as to insure that such system is properly tailored to the areas where maximum demand for rail passenger service exists. For a period of one year, during the implementation of this new route structure, section 2 of this bill provides for the authorization of sufficient appropriations to operate the system at the present level of service. The City of Dayton strongly favors these provisions and believes that enactment of S. 2478 would significantly aid not only its effort to maintain adequate rail service for its citizens, but the nation wide effort to improve rail passenger service and help insure that the public receives the maximum benefits from the Government's appropriations in this area.

In accordance with this Bill, a thorough reexamination of the present Amtrak route system would be undertaken and the public would be afforded a full opportunity to comment upon any proposed route structure. Changes would not be implemented until a full and complete study of the matter had been completed and ample consideration had been given to all relevant factors.

The City of Dayton's recent experience with Amtrak has shown that the restructuring of the manner in which route decisions are made, which the proposed legislation would mandate, is badly needed. Dayton's experience has been

that Amtrak's decisions with respect to service in its area have been "knee-jerk" ones and not based upon any careful and reasoned assessment of all available facts. Thus, notwithstanding the fact that Dayton has recently experienced an unprecedented increase in the utilization by its citizens of rail passenger service, Amtrak attempted, as of December 1, 1977, to discontinue such service at Dayton. Moreover, this discontinuance was sought to be effected with virtually no prior notice. Only the prompt and efficient action of a number of Dayton citizens, including the filing of a law suit in the District of Columbia, prevented Amtrak from proceeding with its plans to eliminate rail passenger service at Dayton.

Specifically, the Amtrak service at Dayton consists of one eastbound and one one westbound schedule per day (the "National Limited"). Prior to April 24, 1977, the westbound train left Dayton at 4:12 a.m. and the eastbound train left at 2:10 a.m. On this date, the schedule at Dayton was changed so that the westbound train departed at 9:47 a.m. and the eastbound departed at 9:50 p.m. The effect of this schedule change on utilization of the Amtrak system was dramatic. For the period January 1 through September 30, 1977, 11,191 persons boarded or alighted the National Limited at Dayton. This represented an approximate increase of 95% in passenger traffic over the same period in 1976 when 5,725 persons utilized the Amtrak service at Dayton. In May, 1977, there were 1,555 total riders, or 147% more than the monthly average for 1976 and in June, 1977, ridership again increased to 1,979 persons or 215% above the 1976 average. Indeed, the City of Dayton was informed that its increased utilization of Amtrak service for September, 1977 as compared to September 1976 was the largest percentage increase experienced by any station on the entire Amtrak system.

The irrationality of the Amtrak decision to discontinue service at Dayton is further evident from the fact that this discontinuance would only be temporary until trackage over a southern route from Columbus to Dayton to Cincinnati is rehabilitated. Thus, Amtrak has consistently maintained in correspondence between it and Conrail as well as with the Rail Services Planning Office (RSPO) of the Interstate Commerce Commission that it prefers the southern routing for the National Limited. This routing has also been contemplated by both USRA preliminary and final system plans. While Dayton does not object to the southern routing, it strongly objects to any hiatus period in the provision of National Limited Service pending rehabilitation of that route.

The proposed discontinuance of service at Dayton attempted by Amtrak as of December, 1977 would have resulted in operating the National Limited over a northern route through the cities of Piqua, Union City, Muncie and Anderson and eliminating existing service at Dayton. The illogic of such conduct is obvious on its face. In this respect, numerous objections to the proposed rerouting of the National Limited over a northern route and the discontinuance of service at Dayton were mentioned in a January, 1978 study done by RSPO. Included in that list were the following:

- (1) The rerouting of the National Limited will mean the loss of passenger service to both Dayton, Ohio, and Richmond, Indiana.

- (2) Continuation of the National Limited might actually be jeopardized since the Amtrak Board faces a serious budget problem, and the weakened National Limited could become a target for discontinuance or reduction to a tri-weekly service.

- (3) Conrail reportedly has told Amtrak that it must pay for additional upgrading of the Union City line (the northern route between Piqua and Muncie) if a passenger train is to use that line. It is senseless therefore to have Amtrak invest funds in a line which everyone agrees does not belong in the Amtrak system except as a temporary emergency measure.

- (4) The Columbus-Indianapolis line through Richmond (the present route) is a much shorter and more direct east-west route.

- (5) The elimination of USRA Line No. 633 as a mainline Amtrak route will, as a practical matter, make impossible the establishment of the so-called "3-C" corridor between Cleveland, Columbus, Dayton and Cincinnati; or the Toledo to Cincinnati corridor. If the rerouting plan is realized, the opportunity to further develop a connection to the "Floridian" train in Louisville and to the proposed Amtrak "Lake Shore" service will be greatly hampered.

- (6) Amtrak's passenger train will be rerouted over a longer, slower and more congested rail line; scheduling problems are therefore anticipated.

(7) Persons living in the Dayton area would be forced to travel to either Urbana or Piqua to obtain Amtrak's passenger service. This will adversely limit the mobility and the choice of transportation modes available to the people in Dayton, particularly the elderly and the handicapped. The rerouting would be the beginning of a continued diminishing rail service to Dayton.

(8) Adequate passenger buildings would have to be rebuilt adding to Amtrak's operating and capital expenditures; while at the same time, a very adequate Dayton facility would be abandoned. Amtrak experience has shown that once a downtown station in a major city is closed to passenger service it is often difficult to reopen.

(9) Termination of passenger service to a major metropolitan area is not in compliance with the objectives and goals of the Rail Passenger Service Act of 1970 that mandated the operation of Amtrak.

(10) Rerouting of the National Limited train will certainly lead to a restricted modal choice for Dayton area residents, and therefore increase the use of the automobile for short and intermediate trips. This is contrary to energy conservation measures and clean air requirements which promote rail transportation.

(11) The new route will add from 40 minutes to an hour or more to the trip on the National Limited, thereby further discouraging passengers from riding the train. Moreover, it is likely that inexperienced passenger train personnel may be assigned to the National Limited on the detour routing.

(12) There is some doubt that the Cincinnati-Indianapolis line through Shelbyville will even be rehabilitated. Therefore, staying on the Richmond line will keep an option open; abandoning it may be an irreversible decision.

Aside from Amtrak's actions having no rational basis on the merits, Dayton's experience also shows that the procedures followed by Amtrak are most unsatisfactory. Thus, the proposed December 1, 1977 discontinuance was, as noted, sought to be accomplished with virtually no prior notice. Notwithstanding, however, the posting of this notice, counsel retained by the City of Dayton, Jacob P. Billig, Esq., was advised as late as November 27, 1977 by counsel for Amtrak that the National Limited would "in all likelihood" continue through Dayton beyond the December 1, 1977 date. It was only on November 28, 1977 at approximately 4:00 p.m. that notice was received by the City through its aforesaid counsel that the service would in fact be terminated.

Although Amtrak is required by Statute, 45 U.S.C. § 561, to inform the Governor of each state in which the train in question is operated of any change or discontinuance of service, neither the Governor of Ohio nor the Governor of Indiana was informed of the proposed rerouting of the National Limited. Moreover, while "The Criteria and Procedures For Making Route and Service Decisions" submitted by Amtrak's Board of Directors to Congress on October 29, 1975 in compliance with Public Law 94-25 required that certain procedures designed to gather relevant information and solicit public comment be followed, this was not done. Indeed, Amtrak even failed to notify the Department of Justice of the proposed discontinuance of service even though the Attorney General was arguably the only individual authorized to bring suit against Amtrak for the enforcement of duties and obligations imposed by the Rail Passenger Service Act. (See 45 U.S.C. § 547.)

Given Amtrak's clear violation of both the Rail Passenger Service Act and its own regulations, the City of Dayton filed suit against Amtrak on November 29, 1977 in the United States District Court for the District of Columbia. The City asked the Court to, *inter alia*, enter an order temporarily restraining Amtrak from discontinuing the National Limited service through Dayton. At an oral argument held before the Honorable Judge Gerhard A. Gesell on November 30, 1977, Amtrak, through its counsel, stated that it would voluntarily continue service until January 10, 1978. Thereafter, by letter dated December 13, 1977, Amtrak informed the City that due to the Congressional intent evidenced by the language in Amtrak's Supplemental Appropriation Bill (H.R. 9375), the National Limited would continue to operate over its present route through the cities of Dayton, Ohio and Richmond, Indiana at least until March 1, 1978. The City voluntarily dismissed its suit on December 14, 1977.

The uncertainty of National Limited service through Dayton and its possible discontinuance nevertheless still prevails. Thus, in the latter part of February, 1978, a newspaper article appeared in the local Dayton press which stated that Amtrak would terminate rail passenger service for Dayton effective March 1.

1978. Further inquiries made on behalf of the City by its Washington counsel indicated that the press release was in error and that Amtrak did not intend, at that time, to discontinue service through Dayton. This incident does demonstrate, however, the uncertain status of rail passenger service for Dayton.

In sum, Amtrak has failed to or has been incapable of evaluating the relative merits and inadequacies of its present route structure at least insofar as it pertains to Dayton. S. 2478 would create a procedure which would overcome this deficiency in the present Amtrak state of affairs and hopefully produce a route structure which would be fair and practical and, to the greatest extent possible, meet the needs of the public. Accordingly, on behalf of the City of Dayton, I strongly recommend passage of S. 2478.

Senator Long. Next we will call Ms. Margaret Morrison, the Humane Society of the United States.

STATEMENT OF MARGARET MORRISON, THE HUMANE SOCIETY OF THE UNITED STATES

Ms. MORRISON. Thank you for the opportunity to testify during these hearings on S. 2478, The National Rail Passenger Corporation Authorization Act of 1978. I am Margaret Morrison, Animal Welfare Act coordinator for the Humane Society of the United States, a national nonprofit organization dedicated to the relief of fear, pain, and suffering of all animals. We are, with respect to staff, program, and constituents, the largest humane society in the country.

I am appearing here today to urge the committee to delete from S. 2478, section 6, which would allow the Secretary of Agriculture to exempt passenger rail service from the requirements of the Animal Welfare Act. To fulfill the intentions of section 6 as set forth in Chairman Long's introductory statement which appeared in the Congressional Record of February 2, 1978, it is not necessary to amend the Animal Welfare Act. In this statement the purpose of section 6 is explained as "to allow the transportation of pets on Amtrak trains, particularly in private roomettes or bedrooms with passengers who are willing to pay whatever additional cleaning costs Amtrak imposes."

The important qualification in this statement is that the intent of this section is to permit the carriage of pets in passenger areas of Amtrak trains. To permit this does not require an amendment to the Animal Welfare Act. The Humane Society of the United States opposes section 6 because it would give Amtrak a broad and unnecessary exemption to the Animal Welfare Act. In fact, if this exemption is granted, it would endanger the lives of several hundred animals yearly.

To clarify our position, I would like to recount briefly the history of Amtrak's pet policy and show that the current policy is not simply a result of the Animal Welfare Act but predates issuance of the final regulations of the Animal Welfare Act by almost 2 years.

Effective February 15, 1976, in response to passenger complaint, Amtrak banned pets from passenger areas of its trains with the exception of guide dogs. Previously on Amtrak trains, passengers with bedroom and roomette accommodations were permitted to keep their animals with them. After this date, animals were still carried in baggage cars. On September 19, 1977, a superceding policy went into effect. Amtrak stopped carrying animals completely with the exception of guide dogs. The reason why Amtrak could not comply with the

Animal Welfare Act regulations was because of baggage car conditions and had nothing whatsoever to do with the old policy of allowing pets in passenger areas. The correspondence between USDA and Amtrak substantiates this as do the answers to questions posed to Amtrak by Senator Birch Bayh at Appropriations Committee hearings last year. I would like to submit to the committee a letter from USDA which gives their assessment of the situation.

It is obvious why Amtrak would not be able to comply with the minimum standards of the Animal Welfare Act as they apply to baggage cars. Not only do the newer baggage cars lack heating and cooling arrangements, but also there are no provisions for adequate ventilation. It is our understanding that the older baggage cars in which mail sorters used to ride are more suitable conveyances. These new baggage cars, however, in the summer months could easily become death traps. Both dogs and cats are extremely vulnerable to heat exhaustion and it is not uncommon for animals to die as a result. Furthermore, although Amtrak in the past permitted passengers to visit pets in baggage cars during station stops of more than 10 minutes, a delay of any length outside of a station could cause serious problems also, especially since the trains concerned are long-haul trains with trips lasting 24 hours or more.

The Humane Society of the United States recommends that section 6 be dropped or amended to assure that animals will not be banished to the baggage cars. Passenger areas of the trains should easily satisfy the Animal Welfare Act requirements. We recognize that Amtrak's carrying of pets has always been a minimal operation of less than 200 animals per month and has been offered as a convenience to passengers. We also understand that modification of the baggage cars is economically prohibitive for Amtrak based on the commerce involved.

Nevertheless, we firmly believe that if an animal cannot be shipped humanely, it should not be shipped at all. In general, we feel that air transport is that most desirable method from a humane point of view, primarily because it is the quickest method and this is an important factor when an animal is separated from its owner and placed in a strange environment. Air transport should also be a safe means of shipping animals so long as the Animal Welfare Act regulations are vigorously enforced. However, as far as rail travel, if a pet is allowed to travel in the passenger area of a train, we would support that as a humane method of transport.

We are opposed to section 6 on other grounds, also. To exempt any party on convenience grounds would be a dangerous precedent. As Animal Welfare Act coordinator, I am well aware that many of the regulated parties, such as the animal dealers who were the cause of many past problems, are even now clamoring to be exempted from these regulations for reasons of hardship and convenience. These regulations should be recognized for what they are: minimal standards for the safe and humane transportation of animals, and to significantly amend this act by exempting any of the regulated parties would be to compromise the spirit with which the act was passed in the first place. This is one more reason why this committee should drop this broadly worded and unnecessary amendment.

By giving a blanket exemption to Amtrak from the Animal Welfare Act, we are afraid that this will mean only baggage car accommodations, since from Amtrak's past history, this appears to be their preferred means of transportation of animals. In our view, this would be a cruel solution to a problem which could easily be humanely solved. In addition to carrying pets in passenger areas, the Humane Society of the United States could also support an extra charge to passengers with pets to allow Amtrak to recoup additional costs resulting from carrying pets. We are sure that our members who travel on Amtrak trains with their pets do so because of the convenience and would not object to paying additional charges.

If Amtrak reinstates its policy of allowing pets in passenger areas of the trains, not only would they not need the reported \$12.7 million to modify the baggage cars, but also we do not foresee the need for a \$1 million modification of terminal facilities since passengers would be totally responsible for the animals and the animals would never be placed in a holding facility. We believe that Amtrak must make a decision from these two humane options: either the pets go back into passenger areas or Amtrak makes very costly alterations to the baggage cars, but the Congress and USDA should not allow the welfare of the animals to be placed in jeopardy.

Mr. Chairman, thank you again for this opportunity to testify before the committee on S. 2478. I would be happy to answer any questions.

Senator LONG. Well, I take it that you might be satisfied if we required that the baggage car be adequately ventilated and adequately heated?

Ms. MORRISON. Right. If the baggage cars were brought up to the standards for the Animal Welfare Act, that would be a satisfactory method, but Amtrak has testified in the past that it would cost \$12.7 million to convert the baggage cars.

Senator LONG. Thank you very much for a very thoughtful statement.

[The letter referred to follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE,
ANIMAL AND PLANT HEALTH INSPECTION SERVICE,
Federal Building, Hyattsville, Md., March 9, 1978.

MS. MARGARET MORRISON,
Humane Society of the United States,
Washington, D.C.

DEAR MS. MORRISON: This is in response to your telephone inquiry of March 1, 1978, concerning the transportation of animals by the National Railroad Passenger Corporation, Amtrak.

Amendments to the Animal Welfare Act were signed into law on April 22, 1976, and include several provisions which deal with the humane care and treatment of certain animals transported in commerce. Final rulemaking regarding the transportation of animals in commerce was published in the Federal Register on June 17, 1977, and June 21, 1977, and became effective 90 days from the date of publication.

The commercial carriers and the intermediate handlers were brought under the Animal Welfare Act by the 1976 Amendments. All animals covered by the Act and transported in commerce must be transported in compliance with minimum standards and regulations, or the carrier or intermediate handler is subject to penalty. Should Amtrak transport certain warmblooded animals in commerce, Amtrak would meet the definition of a carrier (operator of an airline, railroad,

motor carrier, shipping line, or other enterprise which is engaged in the business of transporting any animals for hire) and would be regulated under the statute.

The National Railroad Passenger Corporation, Amtrak, has initiated a policy of refusing acceptance of pet animal shipments based on their inability to expend funds for structural changes in terminal facilities and baggage cars to meet the requirements of the Animal Welfare Act and its regulations and standards. This action is within the prerogative of Amtrak based on their financial status. If Amtrak or any carrier can provide adequate terminal facilities and conveyances (e.g., baggage rail cars, roomettes in sleeping cars, or even the locomotive) which meet the Department's requirements for ventilation, sanitation, temperature and other standards, animals could be transported in compliance with the Animal Welfare Act. However, if a corporate policy, such as the one initiated by Amtrak prohibits acceptance of animal shipments, such a policy precludes violation of the Animal Welfare Act or its regulations and standards.

It should be pointed out that the Department has no authority to force acceptance of animals for transportation in commerce where a carrier or intermediate handler implements a policy more restrictive than the Department's regulations or standards.

Sincerely,

R. D. WHITING,
(For D. F. Schwindaman, Senior Staff Veterinarian,
Animal Care Staff Veterinary Services).

Senator LONG. Next we will call Ms. Christine Stevens, president, Animal Welfare Institute.

STATEMENT OF CHRISTINE STEVENS, PRESIDENT, ANIMAL WELFARE INSTITUTE; ACCOMPANIED BY FAY BRISK, WASHINGTON HUMANE SOCIETY

Ms. STEVENS. Thank you, Mr. Chairman.

I should correct that although I am the present of the Animal Welfare Institute. I am testifying as the secretary of the Society for Animal Protective Legislation.

I have with me Fay Brisk, representing the Washington Humane Society. We agree with the statements already made on behalf of the Humane Society of the United States. I would like to read by brief statement, if I may.

On behalf of the Society for Animal Protective Legislation, I wish to urge that section 6 of S. 2478 be omitted. Common carriers were included in the coverage of the Animal Welfare Act in 1976, as the result of 10 years of effort by humanitarians.

When the act was first passed in 1966, the common carriers succeeded in having themselves exempted. When the act was strengthened and broadened in 1970, friends and protectors of animals again sought to require common carriers to adhere to the humane standards required of others who transport, handle, or house animals, and again the common carriers avoided the protective regulations.

Finally, in 1976, the public outrage at needless suffering and death resulting from inadequate temperature control in animal transport resulted in inclusion of common carriers in the Animal Welfare Act.

Since that time these carriers have sought to avoid regulation. Amtrak stated that it could not transport living animals because it could not control the temperature in baggage cars. Animals should not be transported where extremes of temperature cannot be avoided.

Either the parts of the train in which animals are transported must be kept within reasonable limits—45° to 85°—or the animals should not be accepted. There is no need for an exemption if this standard is

maintained. Obviously individual animals taken by persons into private bedrooms meet the qualifications for adequate temperature control.

Amtrak is not allowing that at this time, but it would be entirely satisfactory.

Section 6 is irrelevant to the bill as a whole. What it would appear to be more relevant to is a concerted effort by other common carriers, the airlines, to weaken or even negate the modest temperature regulations set by the USDA.

We urge you to reject this unworthy, inhumane effort by industry. We will be glad to provide answers to questions you may have.

Thank you, Mr. Chairman.

Senator LONG. It seems to me if a person is willing to take a pet with him into a compartment, I don't see why they can't be permitted to keep the animal in the compartment.

Ms. STEVENS. I agree with you, Senator. Absolutely. They should be. It is most unfortunate that Amtrak excludes animals at present. I used to travel with a great big dog between Ann Arbor, Mich., and New York. It worked out extremely well. I am sure nobody ever had to clean up after me. I would have been glad to pay extra if that had been required.

Senator LONG. Well, when I first came to Washington, my two daughters were very small. They had a little poodle dog. We used to travel back and forth. If they couldn't take that dog with them, they were concerned about the condition of the dog. That would be a matter of distress to them as well as the dog. You have a good point. Thank you very much.

Ms. STEVENS. Thank you.

Ms. BRISK. I would like to testify.

Senator LONG. Go ahead.

Ms. BRISK. Mr. Chairman, members of the subcommittee, my name is Fay Brisk. The Washington Humane Society initiated the national exposé of cruelty to animals in air transport, and I was the director of its Animalport at Washington National Airport from 1972 to 1976. In this capacity, I was able to observe animal transport at firsthand, and it is with this experience in mind that I would like to comment briefly on section 6 of S. 2478.

We understand the problems of pet owners who can't take their pets on trains—particularly those travelers who are unable to drive or fly, and we are urging the railroads to accept pets. They've done so in the past, and there is no reason why they can't do so now. But there is no need to exempt Amtrak from USDA regulations enforcing the Animal Welfare Act of 1976—as section 6 would do. The only problem seems to be with the temperature requirements:

Amtrak officials say that their baggage cars heat up to as high as 110 degrees in some parts of the country, which means that the temperature inside a crate containing a pet dog or cat can get as high as 120 degrees. Amtrak also points out that temperatures in these baggage cars can drop to well below 10 degrees during winter months.

I have with me a study a number of veterinarians have made on the effect of heat and high humidity on dogs. I will submit that later on if that's all right.

Thank you.

[The following information was subsequently received for the record:]

TRANSIENT AND PERMANENT EFFECTS OF HYPERTHERMIA IN DOGS: A STUDY OF A SIMULATED AIR TRANSPORT ENVIRONMENTAL STRESS*

(G. D. Hanneman, DVM; E. A. Higgins, Ph. D.; G. T. Price, DVM;
G. E. Funkhouser, BS; P. M. Grape; L. Snyder)

SUMMARY

Heat-induced hyperthermia can be a major problem in dogs shipped during summer months. Dogs shipped by air transport can encounter temperatures as high as 54.4 C. Usually, little concern is given to effects produced by hyperthermia. To assess the heat distress problem, 20 dogs were exposed to a temperature of 54.4 C for 30 minutes—10 dogs at 15% relative humidity and 10 dogs at 35%.

Dogs did not die as a result of exposure, but certain transient and permanent changes occurred. All dogs had increased heart rate, rectal temperature, blood pH, hemoglobin concentration, packed cell volume, and erythrocyte count. Body weight and Pv_{CO_2} decreased. Differences also were shown between the 2 humidity groups for blood pH, Pv_{CO_2} , rectal temperature, and weight loss. The major tissue changes attributed to hyperthermia were fragmentation of the myocardium, acute cortical necrosis in kidney, and marked degenerative changes in the cerebellum and cerebral cortex. Changes in the cerebellum and cerebral cortex were considered severe and permanent.

In recent years, safe, efficient, and humane shipment of live animals by air has been a concern of the National Council on Animal Transportation and certain segments of the general public. In 1973, a US House of Representatives committee on government operations held hearings to examine problems in air shipment of domesticated animals.¹² Testimony made it quite evident that of the environmental stresses that animals can be exposed to, heat is the most prominent. It has been reported that during the time an air carrier is on the ground, temperatures may reach 54.4 C or higher in the cargo compartment on a hot day.^{11, 12, 13} If an animal, such as a dog, is exposed to such a temperature, there may be little clinical evidence of harm; however, changes in the body fluids and tissues can occur.

When the environmental temperature exceeds normal body temperature, hyperthermia⁹ can develop. The degree of hyperthermia in an animal depends on such factors as humidity, ventilation, and the animal's muscular exertion, hair coat, and physical condition. More concern probably has been given to the dog and its health than to other domesticated small animals. In an attempt to overcome hyperthermia, man is able to sweat. The dog can produce little sweat and promotes heat loss by panting, which causes evaporation of moisture from its tongue and upper respiratory tract. This evaporation diminishes when the relative humidity (RH) increases or when ventilation is inadequate. Prolonged exposure to these factors can tax the dog's ability to maintain a normal body temperature, and heatstroke or heat hyperpnea can result.²

In the past decade, little progress has been made in studying biochemical and histopathologic effects of hyperthermia on animals. It is a question, so far unanswered, of what degree and duration of hyperthermia will damage the central nervous system.⁹ In 1927, Hall and Wakefield⁴ studied hyperthermia in female dogs in an environment in which the dry-bulb temperature ranged between 55.0 and 60.6 C and the wet-bulb temperature between 35.0 and 46.1 C. After 20 to 75 minutes of exposure, the dogs' rectal temperatures were between 41.1 and 45.2 C. There were increases in urea nitrogen, sugar, chlorides, lactic acid, creatinine, and calcium (Ca) and decreases in plasma carbon dioxide (CO_2) combining power, inorganic phosphate, and serum pH. Histopathologic changes included cellular degeneration in lung, kidney, liver, heart, and brain.

*Received for publication Aug. 23, 1976.

From the Civil Aeromedical Institute (CAMI), Aeronautical Center, Federal Aviation Administration, Department of Transportation, Oklahoma City, Ok 73125, where Dr. Hanneman is Chief, Veterinary Medicine Section; Dr. Higgins is Chief, Environmental Physiology Research Unit; Mr. Funkhouser is a research physiologist; Mrs. Grape is a medical technologist; and Mr. Snyder is a histology technician. Dr. Price was Director, Central Plains Diagnostic Laboratory, Oklahoma City, Ok (deceased).

NOTE: See numbered footnotes at end of article pp. 145, 146.

Jacobsen and Hosoi⁷ used radiothermy on 11 dogs, using single exposures of 37 minutes to 12 hours; resultant maximum rectal temperatures were 42.2 to 43.9 C, and 6 of the dogs died within 40 minutes. Histopathologic examination showed changes in heart, lung, spleen, gastrointestinal tract, kidney, and brain. Knudson and Schaible⁸ studied physiologic and biochemical changes in dogs exposed to an ultrahigh frequency field from 30 minutes to 5 hours 15 minutes; rectal temperatures were between 40.0 and 43.3 C. Biochemical changes in the blood were similar to those reported by Hall and Wakefield.⁴ Hartman and Major⁹ reported pathologic changes in female dogs exposed from 5 to 7 hours to temperatures of 65.6 to 79.4 and humidities of 30 to 40%; maximum rectal temperatures were between 42.2 and 43.6 C. Higgins^a exposed dogs (9.0 to 17.0 kg) to temperatures of 37.8, 43.3, and 48.9 C and 30% humidity until the dogs' rectal temperatures reached 42.0 C. Cenous blood was used for the blood chemistries. At each temperature, there were increases in pH, packed cell volume (PCV), oxygen tension, plasma calcium, and chlorides and decreases in CO₂ tension. Plasma sodium decreased at 37.8 C, increased at 43.3 C, then decreased again at 48.9 C. Plasma potassium decreased at 37.8 C, increased slightly and plateaued at 43.3 C, then further increased at 48.9 C. Nemoto and Frankel¹¹ exposed anesthetized dogs in a chamber maintained 2 to 3 C higher than the rectal temperature of the dogs. At rectal temperatures of 40.0 and 42.0 C, the arterial oxygen pressure and pH increased whereas carbon dioxide pressure decreased. However, at 43.0 C, the pH decreased to base line values.

The purpose in the present report was to assess effects on dogs of an extreme ambient temperature reported to occur during air transport.

MATERIALS AND METHODS

Large male dogs (n=20) between 2 and 7 years of age, short haired, of the hound/pointer/bird-dog type and body conformation were obtained from a federally licensed dog dealer. All dogs were given a dry-feed ration^b plus a vitamin-mineral supplement.^c During the conditioning period, dogs were vaccinated against canine distemper, infectious canine hepatitis, leptospirosis, and rabies; and all internal and external parasites were eliminated.

Because humidity influences hyperthermia, dogs were allotted to 2 groups that were exposed to 2 humidity readings of 15 and 35%. At the time of exposure, group A (exposed to 15% humidity) dogs weighed 20.1 to 24.8 kg, and group B (exposed to 35% humidity) dogs weighed 21.4 to 31.5 kg. The dogs were not given any medication for at least 14 days before exposure, and all were in good physical condition at the time of exposure. Feed was withheld for 24 hours before exposure, but water was available.

Dogs (unanesthetized) were each exposed to heat and humidity in the Civil Aeromedical Institute environmental chamber. The desired temperature and humidity were established in the chamber before exposure and maintained at the same levels throughout exposure. Group A dogs experience a temperature of 54.4 C at 15% RH for 30 minutes. Group B dogs were exposed to 54.4 C at 35% RH for 30 minutes.

Dogs were lightly restrained in a sling-type device secured to a movable laboratory cart. Heart rate and rectal temperature were monitored and recorded at 5-minute intervals. Venous blood samples (10 ml each) were obtained from a cephalic vein, using a sterile tube (partial vacuum) and needle, just before exposure, at 15 minutes' exposure, and at the end of exposure (30 minutes). The pH, PVCO₂, and PVC0₂ were determined.^d White blood cell count (WBC), PCV, and leukocyte differential count were determined. Serum glucose, urea nitrogen, Ca, total protein, globulins, albumin, cholesterol, serum aspartate aminotransferase (AST), total lipids, alkaline phosphatase, hemoglobin (Hb), and erythrocyte (RBC) count were determined.^e Blood determinations were made as soon as possible after each experiment.

^a Higgins, E. A.: Some Physiological Responses of Dogs to Heat and Humidity. Ph. D. Thesis, University of Oklahoma, Norman, Ok. 1966.

^b Purina Dog Chow, Ralston Purina Company, St. Louis, Mo.

^c Vionate, E. R. Squibb and Sons, New Brunswick, N.J.

^d IL Ultra-Micro pH and Blood Gas Analyzer, Model 113 S1, Instrument Laboratories, Inc., Watertown, Maine.

^e Biodynamics Unimeter 300, Biodynamics, Inc., Indianapolis, Ind.

A different dog was used for each exposure. Each experiment consisted of a 30-minute base line period and a 30-minute heat and humidity exposure. Each dog was weighed at the start of the base line period (ambient temperature 22.2 to 24.4 C) and then was moved into the chamber. The chamber was lighted and well ventilated, and noise was kept to a minimum. Immediately after exposure, the dog was removed from the chamber, the 30-minute blood sample was taken within 15 seconds, then monitoring leads were removed, and the dog was reweighed and returned to its living quarters.

Of the dogs used in the experiment, 4 (2 from each humidity group) were euthanatized at 4, 28, 52, 100, and 196 hours after exposure and immediately necropsied. Brain, cardiac, renal, and pulmonic tissues were preserved and later prepared for microscopic examination.

RESULTS

During the base line period, all dogs remained calm. About midway in the exposure period, dogs usually became restless and panted heavily. Oral mucous membranes became hyperemic, the sclera became congested, and salivation became excessive. After dogs were removed from the chamber, they appeared exhausted, seemed thirsty, and wanted to lie on the cool concrete floor. However, within an hour, they appeared to have recovered.

As indicated (Table 1), both groups of dogs showed significant increases ($P \leq 0.01$) in venous blood pH, Hb, rcv, and RBC and a decrease in Pv_{CO_2} . Changes for Pv_{CO_2} and pH were significantly greater ($P \leq 0.01$) in group B than in group A dogs.

Temperature and heart rate data are presented (Table 2). There were significant increases ($P \leq 0.01$) in rectal temperature in group A dogs (15% RH) and group B dogs (35% RH). In group A dogs, the rectal temperature of only 1 of 10 dogs was higher than 40.6 C after exposure. Of 10 dogs in group B, 5 had rectal temperatures higher than 40.6 C and 1 dog had a temperature of 41.9 C by the end of the 30-minute exposure. The temperature increase was significantly greater ($P \leq 0.01$) in group B than in group A. The heart rate increased significantly ($P \leq 0.01$) in both groups.

During exposure, the mean weight loss for group A was 0.1 kg (0.6% of the initial body weight). Group B dogs lost 0.3 kg (1.1% of the initial weight). Weight loss of dogs in the latter group was significantly greater ($P \leq 0.01$) by the Student *t* test than that of dogs in group A.

In order of severity, the following organs showed histopathologic changes: cerebellum, cerebral cortex, heart, kidney, and lung.

The most frequent change was in the cerebellum, where Purkinje cells were markedly degenerated—cell deformity, hyperchromatic cytoplasm, loss of nuclear definition, and cytolysis. There were separation of the glial layer of Bergmann, oligodendroglial hydropic changes in the deep cerebellar white matter, and fragmentation of the neuropil in the molecular layer. Microhemorrhages were often seen in the deep white matter, particularly in group B dogs (35% RH). A few of the specimens showed slight conglutination of the internal layer and congestion in the deep cerebellar white matter.

Neurons of cerebral cortex generally showed deformity, hyperchromatic cytoplasm, and loss of nuclear definition. In a few specimens, neurons retained a degree of cellular integrity but exhibited satellitosis, glial activity, and early signs of degeneration. In specimens with advanced degenerative changes, glial activity appeared to be minimal. All specimens except 1 dog from each dog group showed evidence of edema, as indicated by a clear zone around neurons, separation of neuropil, hydropic changes of the oligodendroglia, and distention of perivascular spaces. One-half of the specimens from group B dogs showed microhemorrhages in the cortex and deep white matter.

After exposure, 9 of 10 dogs in each group showed degenerative changes in myocardium, often with fragmentation. The myofibrillar striations were poorly defined or absent, or both, to some degree in all specimens except for 1 dog from each group. There was some degree of pyknosis in more than half of the specimens. Microhemorrhages were often seen in tissues, but there was no inflammatory reaction. Fraying and separation of muscle fibers were frequently seen.

TABLE 1.—HEMATOLOGIC EXAMINATIONS AND BLOOD CHEMICAL ANALYSES FOR DOGS EXPOSED TO 54.4 C AND RELATIVE HUMIDITY OF 15 OR 35 PERCENT

Items	Group A dogs (15 percent RH; n=10 dogs)*			Group B dogs (35 percent RH; n=10 dogs)*		
	Before exposure	15 minutes	30 minutes	Before exposure	15 minutes	30 minutes
Hematologic examinations:						
pH	7.38 (0.03)	7.45 (0.05)	**7.50 (0.07)	7.38 (0.03)	7.56 (0.07)	**7.64 (0.07)
Pvco ₂ (mm of Hg)	35.23 (2.91)	28.58 (2.96)	**24.69 (3.32)	41.38 (3.94)	24.11 (7.83)	**17.08 (4.89)
Pvco ₂ (mm of Hg)	45.34 (6.88)	53.64 (7.94)	50.96 (8.92)	44.01 (6.11)	51.01 (12.96)	48.53 (16.59)
Hemoglobin (g/dl)	13.05 (1.54)	13.53 (1.52)	**14.18 (1.53)	12.80 (0.63)	13.82 (1.22)	**14.93 (1.69)
Packed cell volume (percent)	43.40 (3.44)	45.50 (4.38)	**46.30 (4.97)	47.60 (3.06)	50.00 (3.77)	**52.80 (5.83)
Erythrocytes (10 ⁶ /μl)	4.82 (0.49)	5.10 (0.45)	**5.30 (0.65)	5.15 (0.47)	5.47 (0.51)	**5.68 (0.65)
White blood cells (10 ³ /μl)	8.33 (1716)	8.09 (1507)	7.83 (1630)	8.41 (1503)	8.88 (1952)	8.83 (1547)
Serum chemical analyses:						
Glucose (mg/dl)	68.20 (6.97)	74.20 (12.03)	76.00 (16.22)	66.90 (17.32)	75.00 (18.41)	71.70 (14.73)
Calcium (mg/dl)	10.40 (0.98)	10.26 (1.05)	10.29 (1.06)	8.76 (0.56)	9.24 (0.55)	9.11 (0.65)
Bilirubin, total (mg/dl)	0.46 (0.20)	0.51 (0.27)	0.59 (0.29)	0.76 (0.33)	1.07 (0.58)	0.98 (0.48)
Cholesterol, total (mg/dl)	166.50 (26.88)	165.00 (34.48)	173.00 (31.97)	157.30 (29.71)	168.60 (29.50)	163.90 (27.47)
Lipids (mg/dl)	380.70 (18.71)	384.00 (21.96)	389.70 (22.03)	390.10 (43.94)	383.00 (51.66)	388.10 (51.36)
Urea nitrogen (mg/dl)	10.95 (3.06)	11.70 (2.76)	13.26 (4.04)	12.44 (4.96)	12.46 (4.10)	11.74 (4.45)
Inorganic phosphorus (mg/dl)	1.64 (0.88)	1.35 (1.13)	1.75 (1.11)	2.60 (0.64)	2.26 (0.63)	2.19 (0.54)
Protein, total (g/dl)	6.84 (0.67)	6.95 (0.56)	7.05 (0.52)	6.09 (0.76)	6.11 (0.69)	6.30 (0.92)
Albumin (g/dl)	1.58 (0.74)	1.50 (0.53)	1.61 (0.34)	2.88 (0.55)	2.93 (0.60)	3.00 (0.73)
Globulin (g/dl)	5.26 (0.67)	5.35 (0.54)	5.32 (0.57)	3.21 (0.33)	3.18 (0.26)	3.27 (0.28)
Aspartate aminotransferase (Karmen units)	25.30 (4.08)	26.10 (6.85)	25.50 (4.88)	28.75 (9.22)	30.89 (10.60)	34.10 (11.31)
Alkaline phosphatase (IU)	15.22 (6.48)	13.44 (6.51)	13.90 (7.13)	10.10 (5.78)	9.67 (6.96)	9.40 (6.64)

*15-minute entries for group B are means of 9 dogs. Alkaline phosphatase for group A dogs at 0 and 15 minutes are means of 9 and 8 dogs, respectively.

Note: Data are expressed as mean, with standard deviations in parentheses.

**P<0.01 statistical test by analysis of variance.

TABLE 2.—HEART RATES AND RECTAL TEMPERATURE IN DOGS EXPOSED TO 54.4 C AND RELATIVE HUMIDITY OF 15 OR 35 PERCENT

Items	Group A dogs (15 percent RH; n=10 dogs)						Group B dogs (35 percent RH; n=10 dogs)					
	Before exposure	5 minute	10 minute	15 minute	20 minute	30 minute	Before exposure	5 minute	10 minute	15 minute	20 minute	30 minute
Heart rate (beats/min)-----	85 (27)	95 (32)	97 (26)	102 (33)	107 (28)	113 (33)	*111 (25)	111 (24)	135 (22)	135 (21)	143 (28)	149 (22)
Rectal temperature (C)-----	38.6 (0.28)	38.6 (0.26)	38.8 (0.21)	39.0 (0.17)	39.3 (0.15)	39.6 (0.25)	*39.8 (0.49)	38.7 (0.35)	39.1 (0.51)	39.5 (0.50)	40.3 (0.53)	*40.7 (0.67)

Note: Data are expressed as mean, with standard deviations in parentheses.

* $P < 0.01$.

Renal changes were seen in 7 dogs from group A and 7 dogs from group B, with varying degrees of involvement. In many specimens, the glomeruli were hypercellular. Occasionally, there were congested glomeruli. Bowman's capsules were dilated to some degree in about half of the specimens, and occasionally there was blood in Bowman's spaces. In 5 of 10 dogs in group A (15% RH) and 6 of 10 dogs in group B (35% RH), the epithelium of convoluted tubules showed degenerative changes indicative of early cortical necrosis. In tissues showing tubular necrosis, changes were present as early as 28 hours and as late as 100 hours after exposure. In 1 dog necropsied at 28 hours, changes were so profound that, in our experience, if the dog had been allowed to live it probably would have experienced renal failure.

Lung from all exposed dogs showed some degree of pathologic change. Those necropsied at 4, 28, and 52 hours revealed greater changes than did those euthanatized at 100 and 196 hours. The predominant histopathologic changes were thickening and congestion on the alveoli septi, hemorrhage or edema or both in alveolar spaces, and engorgement of vessels with blood. Occasionally, a specimen had hemorrhage or debris in a few of the bronchi.

DISCUSSION

Results of this study showed significant ($P \leq 0.01$) changes in heart rate, rectal temperature, $PvCO_2$, venous pH, Hb, RBC, PCV, and weight that can be related to the exposure environment. Effects of humidity produced significant differences ($P \leq 0.01$) between dogs exposed to 15% RH (group A) and those exposed to 35% RH (group B) for $PvCO_2$, venous pH, rectal temperature, and weight loss. Peak heart rate increase occurred in 5 of 10 dogs in group A before the end of the 30-minute exposure, whereas 7 of 10 dogs in group B peaked before the end of exposure. Although change was not found in urea nitrogen, 2 group A dogs showed a decrease in urea nitrogen, whereas 7 group B dogs showed a decrease.

Hemolysis was also noticed in samples from a few dogs exposed to the 35% humidity, but the quantity was not measurable. Iampietro et al.⁸ showed that hemolysis occurred in dogs exposed to temperatures between 21.1 and 48.9 C for up to 60 minutes at 50% RH. He reported that hemolysis might have been the result of extremely low blood CO_2 concentration or high blood pH brought about by hyperventilation or high body temperature or both.

Malamud et al.¹⁰ in a study of 125 fatal cases of heatstroke in military personnel who had undergone strenuous muscular exercise at high temperatures, described histopathologic changes of the brain and viscera in these cases that paralleled the changes seen in the dogs in the present experiment. Freeman and Dumoff,³ in their report on cerebellar syndrome following heatstroke in man, state that periods of exposure must be brief because at high temperatures the pathologic alterations in the body cells rapidly become irreversible.

Most changes in the cerebellum and cerebral cortex were considered severe and permanent. These neuronal changes developed during the period of hyperthermia. We believe fragmentation of the myocardium, loss of myofibrillar striations, and pyknosis of nuclei were attributable to hyperthermia. In dogs whose kidneys showed acute cortical necrosis, this may be related to hyperthermia, since none of the dogs experienced any clinical signs of shock. In general, changes observed in lung were minimal to moderate, with dogs necropsied at 100 and 196 hours often showing signs of recovery. We were unable to detect any qualitative or quantitative relationship in tissue changes between the 2 groups. Although all dogs survived acute hyperthermia with no signs of illness, there were microscopic tissue changes.

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Ms. BRISK. No one—least of all responsible pet owners—can possibly be in favor of transporting animals under these inhumane conditions.

However, Amtrak admits that it has been carrying a mere 100,000 pets a year—fewer than 280 a day on a countrywide basis—so the problem is not insurmountable. Here are a few suggestions which we hope will help Amtrak not only to transport pets humanely, but to make a profit as well. We understand Amtrak needs \$13 million to outfit its baggage cars.

Barring that we recommend that small pets be carried in baggage cars when temperatures are within the wide range set by USDA. On certain routes and during temperature extremes, the few crated pets that are in the baggage cars could be moved into passenger cars with their owners.

Some airplanes permit passengers to take puppies and cats and put them under their seats in the passenger section. Amtrak could do the same thing. It may even be feasible to section off part of a coach for pets and their owners, in much the same manner as "Smoking Cars" and lounges. This would take care of complaints from passengers who may object to sitting next to somebody's dog or cat.

We urge Amtrak to resume its policy of permitting pets to travel with their owners in roomettes and bedrooms. One reason Amtrak says it dropped this highly desirable service was the cost of cleaning up at the end of the trip. To meet that expense Amtrak could do what the airlines do. It could charge extra for pets. Here is a source of revenue that Amtrak appears to have overlooked.

For example: It costs \$18 to fly a pet as baggage from Washington, D.C., to San Francisco—a 5- or 6-hour trip. If Amtrak established a rate system for pets, based on mileage and accommodations, it could make millions of dollars in profit every year. Right now, it is losing all this money—and probably 100,000 pet-owning passengers as well.

Mr. Chairman, as far back as 1906, Congress was so concerned with the welfare of livestock in rail transit, it passed a law providing for their care and rest en route. Now, 72 years later, can we take a giant step backward and deliberately exempt the railroads from treating animals humanely?

Thank you.

If there are any questions, I would be happy to try to answer them. Senator LONG. Thank you. I have no questions. That was a very good, thoughtful statement.

I have no further questions. I think you made a very good statement. Is Mr. Louis Gambaccini here?

[No response.]

Senator LONG. Is Mr. Arthur Lewis here?

Mr. LEWIS. Yes.

STATEMENT OF ARTHUR D. LEWIS, PRESIDENT, AMERICAN BUS ASSOCIATION

Mr. LEWIS. Good morning, Mr. Chairman. I want to thank you very much on behalf of the intercity bus industry for giving us an opportunity to appear before you today.

I understand that the witnesses are limited to a 10-minute oral presentation. I will do my very best to stay within that.

I would just simply like to start off with the statement that there is no question but that the intercity bus industry is impacted very heavily and adversely by the competition of Amtrak over the routes on which it serves. The competition by Amtrak is on routes of the bus industry that are its greatest density; and it is rather significant when being in competition with Amtrak on these major corridors, that they divert from the bus industry the profitability that has in the past allowed us to cover the losses on our large number of rural routes. This is quite a serious problem.

Mr. Chairman, I would like to simply, in briefing my statement this morning, highlight what I consider to be the failure of Amtrak which has, since September 30—since May 1, 1971, through September 30, 1977, suffered operating losses in excess of \$1,886 million, rising from \$153.5 million in 1972 to \$536.7 million last year.

As you know, capital grants during this period totaled \$1,165 million, and Amtrak has filed with you and with the Department of Transportation a 5-year plan which carries total subsidies for Amtrak in that 5-year period up to a figure approaching \$10 billion.

What has the Nation so far gotten for its investment? In the first 6 years, Amtrak passengers increased annually from 16.2 million to 19.2 million passengers, an increase of 18½ percent.

The 5-year plan forecasts a further growth to 26.4 million passengers by 1982. Thus over a period of 11 years—and after almost \$10 billion in subsidy—Amtrak traffic would have increased only 63 percent, a remarkable example of failure in a public works project.

Another way to look at Amtrak failure in the marketplace is a comparison of the volume of passenger-miles carried with its common carrier competitors, and in relation to the total passenger market.

Total miles for Amtrak totaled 2.9 billion in passenger-miles in 1972. This was 2 percent of the total passenger-miles carried by the commercial airlines and the intercity bus industry.

By fiscal 1976, it carried 4.1 billion passenger-miles, and its percentage of common carrier traffic had risen to 2.2 percent.

And rolling into the future, after nearly—proposing an expenditure of \$10 billion in subsidy, by 1982 Amtrak will still be carrying

only a figure of between 2 and 2½ percent of the traffic carried by its two common carrier competitors.

Amtrak's results are even more discouraging when its passenger-miles are compared to the total intercity passenger-miles by all modes, including the private automobile. It was less than three-tenths of 1 percent of the total in 1972. It is still about three-tenths of 1 percent of the total in 1976, and the forecasts of Amtrak through 1982 show that it will still be about three-tenths of the total intercity traffic.

As an incorporator of Amtrak, I remember the frenzied work we did in the spring of 1971 in setting up the corporation, and the hope of all the incorporators that we were taking part in the rebirth of an economically viable intercity rail service in this country—participating in what we thought would be a historic occasion.

I regret to say that at this point, Amtrak constitutes a massive failure. It has come nowhere near meeting the objectives we believed it might during those long sessions in the spring of 1971; and, of course, that is the basic reason we are now considering this legislation.

When something fails to this degree, it is probably due to multiple causes, among which would be management, public policy, and competition; but failure to this degree probably reflects something even more fundamental: It probably fails because it does not have real acceptance in the marketplace.

I think this is what Mr. Eschwege was saying on Friday.

This raises a basic question as to the extent to which the public wants or had need for intercity rail service. It also raises a question as to whether the marketing policies of the corporation have been appropriate to the mission.

I think the answers to these two questions are as follows:

First, the record of Amtrak's comparative traffic growth indicates there is no great abiding desire on the part of the general public for intercity rail passenger service. At best, the market for intercity rail passenger service represents a very small, splinter segment of the traveling public.

It is comprised of a few people who openly admit they are "rail buffs" and would ride a railroad just to satisfy their desire to ride a train. It is also comprised of a few people who must travel by common carrier and who simply will not fly. It is also comprised of people who would otherwise ride the bus and who ride Amtrak because Amtrak rates are the same or lower than the bus. Lastly, and principally in the shorter-haul corridors, such as Philadelphia-New York, it provides a relatively fast, effective service for the business traveler.

Answering the second question, having no incentive to make a profit or alternatively, to keep subsidies low, it has priced its services low so as to increase ridership. Its marketing strategies are solely related to what it takes to get more people to ride the train regardless of the cost to the general taxpayer. And, basically, it had adjusted its fares so that over a period of time, it has established a fare structure which is even lower than that of the privately financed intercity bus industry.

Amtrak has justified this pricing strategy as being required to divert auto traffic to its services. The very slow rate of growth of Amtrak's traffic indicates that this market strategy has failed.

In my experience—and I have been in transportation all my life, 28 years of which was with the airlines—I have seen little evidence

that would indicate that price is of major consideration in the decision of an individual either to take his car or alternately to take any common carrier mode of transportation. The only diversion of business to Amtrak that has occurred because of its pricing policies has been diversion of traffic from its common carrier competitors, principally from the intercity bus industry.

I do not think this was the intent of Congress when it established Amtrak and gave it its pricing freedom. Amtrak's pricing policies are purely predatory in nature and it is utilizing taxpayers' dollars to engage in these predatory tactics.

I do not know of any other Government subsidy program which is being subverted in this manner. The utilization of Treasury dollars to support these predatory marketing policies is not only unconscionable, but should be illegal. If the American Telephone & Telegraph Co. were to price any of its services so clearly below its costs in order to divert business from its competitors, I am sure you could take it to court and stop it. You might even be able to put some of the senior officers in jail.

I am sure that in very large part Amtrak's steadily rising need for subsidy reflects these pricing strategies. In 1972 Amtrak recovered 52 percent of its costs of operation out of the fare box. In 1977 this had dropped to 36 percent. This drop occurred because of management decisions to lower fares against its common carrier competitors and was not due to events over which management had no control.

I think however, Mr. Chairman, that what really went wrong was the change in the original objectives which had been set for Amtrak in the enabling legislation. The "for profit" goal was abandoned in favor of policies of general development of Amtrak without substituting some other test of effectiveness or some other way to determine the validity of results or ways of measuring the basic market requirements for the services.

Regardless of whether it is questionable that Amtrak will ever be able to operate without some subsidy, a profit test is essential if any discipline is to govern the development of corporate and related public policies. It is only natural that any management will respond to the tests of performance by which it is being measured. If ridership is the sole criterion of good performance, marketing strategies which increase ridership will be developed.

On the other hand, if profit is an important test of performance, revenues, even though some reduction in traffic volume might occur. Management will develop pricing strategies which carefully evaluate the net gain from a prospective fare change.

These are the tough pricing decisions one must make in any business managed for a profit. It certainly governs the marketing strategies of Amtrak's common carrier competitors: the intercity bus companies and the airlines. They must price their product to optimize their net operating profit.

Only Amtrak has the ability to price itself foolishly in the marketplace and turn to the Government to make up the deficit incurred thereby—such as, for example, its recently announced fare policy of giving free rides to children with the presentation of three Kellogg's box tops.

Only Amtrak can have a policy of deliberately not raising its rates to meet fully the rising costs of inflation. This policy has been an integral part of the marketing strategy of Amtrak for several years. In Amtrak's latest 5-year plan it projects the higher costs due to inflation for the next 5 years and proposes to recover only about 30 percent of that increase in higher costs. By fiscal year 1982, \$314 million is required.

No private business can follow this policy. Amtrak's competitors have no recourse but to charge higher fares due to inflation except, of course, as they might find ways and means of operating with greater efficiency.

There is no reason that passengers traveling by train should be spared the higher cost of inflation while bus and airline passengers are not.

Senator LONG. Please continue. I think you are making a very significant statement.

Mr. LEWIS. Thank you, sir.

There is also no reason that Amtrak, as a company, need be spared the incentive to cut costs and increase operating efficiencies as a way of absorbing the higher costs of inflation.

Over a period of years, Amtrak's pricing policies have become predatory and have completely changed the relationship of its average rate level with that of the intercity bus industry.

Mr. Chairman, I have here, and I will summarize it briefly, an analysis of some 20 cities that show Amtrak's competitive rates with the bus industry.

It shows that in 1972, Amtrak's one-way rates on these segments exceeded the intercity bus rates by 25.9 percent. Since then, Amtrak has not increased its rates commensurate with its cost inflation, and its one-way fare now on those same routes averages only 1 percent more than the intercity bus industry.

That only tells part of the story when you take a look as compared to the round trip of excursion fares that are in effect today.

In 1972, Amtrak's lowest round trip or excursion rates in these markets averaged 24.8 percent above that of the bus industry. Since that date the average rate charged by the bus industry has risen 53.7 percent, while the average fare for Amtrak has risen only 9.4. Amtrak now charges 11.2 percent less in these markets for its lowest round trip or excursion fares than does the bus industry.

Mr. Chairman, Amtrak's pricing strategies have been justified by Amtrak's officials on the basis they have been mandated by Congress to increase ridership. This, I believe, was a distortion of the original congressional directive by Amtrak officials themselves and contrary to implementing legislation.

Therefore, I think it is very timely for Congress to reiterate its policy statements regarding Amtrak developments and state clearly that it should move within a limited period of time to adopt those services or rate policies which will ultimately take Amtrak off subsidy or reduce it to a very low level.

There is no basic reason that the rail traveler should receive heavy Government subsidy at the expense of the general taxpayer when no general public policy is served. There is no reason rail services should not be made self-sustaining.

For example, in the Northeast corridor between Washington and Boston. There is no reason that rail passengers cannot afford to pay at least the cost incurred by Amtrak in operating its services as well as make some contribution to the costs of fixing up the corridor.

Mr. Chairman, I as an individual have traveled extensively between Washington and New York, Philadelphia, and I see no reason why when I travel by Eastern Airlines shuttle that I should travel at full cost, that it costs that carrier to transport me. When I go by Amtrak that I only pay half of what it costs to operate.

It is not a valid market assumption that passengers will not pay compensatory rates when the service is important to them. They pay what it costs to ride the airlines and the buses. There is no basic reason to believe that the rail passenger will not simply pay the cost of his trip when he goes by rail if in fact it is an essential service.

There is no question in my mind but that Amtrak could reduce its subsidy requirements drastically if it were made to charge a rate at or near its full cost of doing business.

That is true not only on the corridor, but on the longer routes through the country. Of course, it may lose some passengers to other common carriers, but isn't that better than providing an unnecessary subsidy to all the other passengers who ride Amtrak who would continue to ride it at higher fares?

Isn't that policy more in keeping with the basic philosophy which exists in our capitalistic society? Isn't it more equitable—a more equitable transportation policy when dealing in our competitive transportation system?

Amtrak partially explains its fare policies on the basis its traffic is rate sensitive and therefore demand is elastic. Every form of transportation has some degree of elasticity in the demand for its product, but the elasticity for none of them is large. There is no reason to believe that Amtrak's elasticity is any greater than that of the intercity bus industry.

In all probability, it is between the elasticity of demand for airline service and the bus industry. The intercity bus industry and the airlines have had to develop their pricing strategy so as to recover their full costs and demand elasticity has not prevented their doing so.

I personally believe that in rail, as in airline and bus travel, one can improve net operating results by charging closer to cost.

Also, regarding inflation, there may be a tendency for some small number of people to stop traveling as the basic cost of travel rises, but fundamentally in an inflationary period, all consumer prices rise as does personal income.

Inflation affects the price of virtually all consumer products as well as transportation. There is no reason why Amtrak cannot increase its rates proportionately to its increase in the costs of doing business, as do all American businesses, including Amtrak's competitors.

Mr. Chairman, not since the very beginning has Amtrak been managed as a private business would have been managed. I am completely convinced that if its management practices and marketing philosophies were changed, that it would move a long way in reducing its need for subsidies, and even perhaps some day become as profitable

as its competitors. At least it should be forced to try to accomplish that objective.

Its rate freedom should be used as originally contemplated to maximize its revenue rather than merely to gain some small increment of competitive advantage. While I believe the basic demand for inter-city rail service is small, as I said, I am convinced that one market does exist. I think it will support a reasonable number of trains that are operating today, particularly those in the more important corridors.

I believe that the demand is such that the rail passenger will, by and large, pay the cost for the rail service he gets.

I believe that national transportation policy should see that he pays for his transportation costs. This bill proposes to eliminate the "for profit" goals set by Amtrak in the original legislation. This is predicated on the thought that there is no chance that Amtrak will ever become profitable.

I believe this would be a tragic step to take at this time, because it would foreclose any opportunity to make it ultimately profitable—which I think it can be—or even to reduce its subsidy requirements significantly which I am certain can be done.

The problem of Amtrak today is not that there is an inconsistency in goals, but because the original profit goal was abandoned and at no time was permitted to act as a test of Amtrak's marketing or operating efficiency.

The abandonment of the profit goal is the principal reason for the financial disaster that Amtrak represents today with its de minimis percentage of the total market it accommodates, and its enormous operating subsidy.

It may well be that Amtrak can never become profitable even if an all-out effort were made to make it so, but that is still no reason for abandoning the goal. With the goal in existence, there is a very legitimate pressure on Amtrak to reduce its subsidy to the maximum extent possible.

In 1972, as I stated earlier, Amtrak covered 52 percent of its passenger expenses by the prices it charged. That has fallen 36 percent today. There is no reason we cannot revise the present downward trend, return to the level of 1972, and ultimately expect Amtrak to cover at least 75 percent of its operating costs out of the fare box.

At that time we might even be shown that by a little more imagination and effort, that we might be able to achieve full operational profitability. To abandon the profit goal today merely because we have not charged Amtrak with that goal in the past will create a condition where its operations never get under control, while subsidies mount still further.

Thank you very much for the opportunity to appear.

Senator LONG. Thank you very much for a very interesting and thoughtful statement.

Let me say that as it stands today, a lot of this Amtrak business is just a matter of throwing good money after bad money to use the poker player's expression.

I see you know what I am talking about.

Mr. LEWIS. Yes.

Senator LONG. If a man is holding a losing hand, he keeps trying to draw out and betting, the situation just keeps getting worse, if you keep putting more money into it.

It seems to me that what we really need is to develop the technology of the bus industry and the rail industry. It is partly because of union rules, and various other reasons, but we are now being asked to take over that Southern train from here to New Orleans. All right. That's a big loser. It has some nostalgic interest to some of us, but the unions feel that they in conscience must insist on these same old work rules that make this thing cost a fortune.

We can't do any better. It that's so, my impression is, we should discontinue it even though I represent the State and the city where the thing terminates.

I think I should ask some of the other people to make the same kind of sacrifice to get rid of these things that are a big burden on the taxpayer.

By contrast, it seems to me that if we could develop—and I think a lot of progress has been made—I can see what they have along that line—if you can develop some vehicles that roll independently on those rails, and at the same time hook up like the passenger cars do, the Pullman cars, and then disconnect and go to other areas, you would have a much more flexible operation, so that, for example, when you are bringing these trains into town, north, south, east, and west, if these could be operated as individual buses operate, it seems to me a logical way to do it is to try to make a deal with the buses to build the equipment.

Then the people could get on the car they wanted to get on, to the destination they wanted to go to. Instead of stopping out here at the transportation center, the old Union Station, and then trying to get a taxicab or something to go where you want to go, or get out and start walking, if they could arrange somewhere where you could get that thing off the track and roll it down the street, between the two Senate office buildings, that's if you worked in the Senate, and it could make a right-hand turn and go down Constitution Avenue or Pennsylvania Avenue, and the next car could go on across and let people off at the Supreme Court and the House office building, and go down Independence so that—if you need be, go across the bridge to the Pentagon so the people are at their principal address. They could be discharged where they are headed rather than the old technology of getting to the Union Station and then getting out and walking to the station and looking for a porter and trying to find a taxicab and then trying to get where you want to go.

The old technology is gone. It is tough enough for the buses to compete with the automobile, much less for the railroads to compete with the automobile. It seems to me that we ought to be thinking about some new technology here.

Now, as you so well know, one of the principal cries that would go up would be if we discontinue, let's say, the old Western Liberty, that they had sleeper accommodations. They are more comfortable than you can provide on the buses.

If we take some of these hundreds of millions of dollars we are putting into Amtrak, do you think that the bus industry could design us something where you could have those people who today ride that

type service, where you could have something more commodious, and perhaps some sleeper accommodations to use?

Mr. LEWIS. No question about that, Mr. Chairman. Back in the days of the piston engineering, the sleeperette seat was a very efficient overnight accommodation. It was a seat that had a 50-inch separation—which we call a seat pitch—on every 50 inches; there was a seat.

You could lay it back and extend a small support out from under the seat, and the person could recline in his clothes and get a good night's sleep. That could be done if you had the kind of money that would be spent on Amtrak.

There is no question but that bigger buses could be built and included in those buses could be sleeping facilities and things of that sort that would make it more commodious and accommodating.

If you are really talking about spending Federal dollars to improve the transportation in this country, there is no question but that a cash flow in the bus industry would be a far greater advantage.

One of the problems of trains is that even as the new cars become more efficient in themselves, they become much bigger; and the Northeast corridor project, for example, speaks of trains on the order of approximately 400 passengers in order to get economy of operation.

The problem is there are not many places in the United States that you can run a 747 every hour on the hour and carry any kind of a load factor. The same thing is true with a train.

These very large trains that have to be operated in order to have some statistical efficiency in terms of cost, what-have-you, don't develop a load factor that permits reasonable operating costs.

There is no question but that the bus industry provides a real opportunity in an imaginative way, with imaginative uses of funds to supplant the Amtrak service.

Senator LONG. We are not giving the bus industry the cooperation they ought to have. Now and then, I drive in from Virginia. I have a little cabin which I try to get away to when I can, if the weather permits. If I drive in on an ordinary workday, getting across the bridges here is something horrible.

What we really ought to do is something like they do out there on Shirley Highway where you have certain bus lanes for buses and carpools. Those go right on in while people stand still and fume and wait in the other lanes, where they insist on going individually.

If you are in a hurry, you get on a bus and get there. We ought to do the same thing out there where Spout Run meets the George Washington Parkway. You have four lanes converging to make two. The traffic backs up for miles in both directions.

What we ought to do is simply say you have one lane on both sides for buses and carpools, and give that one the preference. Don't let people get in that lane unless they qualify. Move all those ahead. After you get those past, let these people in these individual cars move.

If we just make—if we give the buses the preference and the priority that they deserve as a mass carrier, after all the people—you get 40 people on one conveyance and move in together, they only use about 5 percent as much of the highway as someone who is going just one person to one automobile. We could give them a great deal more potential than they have right now.

If we take full advantage of our opportunities to use the buses more effectively, it seems to me that we could have a far better service to offer the citizens of this country.

Mr. LEWIS. No question about it. Mr. Chairman, the bus industry in 1976 carried 340 million people. That contrasted to Amtrak's 19 million; but, interestingly enough, just to show you the nature—

Senator LONG. In terms of passenger-miles, how did that figure out?

Mr. LEWIS. I don't have that figure. Well, I am sorry. I do. In 1976, we carried about 25.2 billion passenger-miles; and Amtrak carried 4.3.

Senator LONG. Is that right?

Mr. LEWIS. Yes. The point I was making on the passengers, even though Amtrak carries only 19 million passengers and we carry 340 million, on our regular route intercity operations, they carry a volume of business equal to 27 percent of our passenger-miles on those specific routes.

Now, what we carry is a very large number in addition to our national routes around the country, a very large number of people from adjacent communities into the larger towns. We carry a very large number of that kind of business.

Out of Washington here, you can look in the radius around the town, out 50, 75 miles, intercity bus service is providing a major flow of traffic, not only during commuter hours, but noncommuting hours. That is true of every other large metropolitan area.

The other day I took the bus between here and Charlotte, and between Richmond and Jamestown, Va. It was a 50-percent load factor out of here. We had a 100-percent load factor out of Richmond. Out of Jamestown, we were back down to a 50-percent load factor again.

When you get these small towns like this, we carry a very large number of people; and it is overlooked because we are viewed in the passenger miles which don't seem too big. In terms of the passengers that we carry in and out of our major communities; there is where we really provide a fuel efficient alternative to the private automobile.

Senator LONG. Well, I want to tell you that it just appears to me that the Nation has much neglected the bus system while it has provided tremendous subsidies to the others. Maybe we should say to the railroad, "Hold on, we paid for the roadbed."

I am sympathetic about that problem. But we now find ourselves in a situation where the railroads don't even want to provide this service if they are going to lose all that money; and—at least a lot of them don't. They'd just as soon be done with it, get rid of it.

It would seem to me as though the time is appropriate when we ought to start thinking in terms of how we can provide better bus service.

Now, have you ever ridden or seen a bus that was equipped to roll on the rails?

Mr. LEWIS. No, I haven't, sir.

Senator LONG. Well, it looks to me like you ought to be looking at one, and we ought to be looking at it, too. Equipment has been designed, it has been made. If that were used, the buses could get there quicker.

We slowed the highway traffic down to 55 miles an hour. It is sort of tough to tell a fellow on the highway he can't go over 55 miles an hour, but that the bus can go zooming by him.

On the other hand, it seems to me we could very well—basically they are the same hours the train would be running anyway. Roll the buses down those rails. It would be smoother, not near as many bumps.

Frankly, if we did it the way we ought to do it, we ought to pay the buses to roll on the roads, not charge them for it. It takes a burden off the highways.

Mr. LEWIS. In certain dedicated traffic areas—track areas, that may be possible, where you have dedicated facilities to passenger operations. You could really increase the throughput quite a bit.

Senator LONG. Well, in most cities, this is an example here. I know it is even more true in New Orleans and in my hometown of Baton Rouge. You have some rails there that are not being used during the rush hour, when the interstate is absolutely loaded, and in the downtown areas, it is slowing down to an average of, let's say, 2 miles an hour.

You can walk faster when you get in the rush hours, in the downtown areas. Those rails could provide some relief, if you had something to roll on. The people that don't want to roll on it, just to go down to Union Station and get out and start walking, they do it because they want something to take them where they are headed.

So far, we haven't quite managed to achieve that. It seems to me that we ought to be developing something that could roll on the rails and move passengers so it could move them more rapidly.

Also, I think it would have the advantage of providing multiple destinations. If you have several buses hooked up in tandem, so the passengers could move whichever way they want to go in their destination—when you reached a certain point, rather than stop—the railroad just disconnects, takes those people where they want to go.

The rest of it just could roll ahead at 75 miles an hour for those who are not interested in the destination to which that last vehicle is going. It need not be confined just to rolling down the rails.

Mr. LEWIS. That is what I had in mind.

Senator LONG. If a vehicle had been built—I don't know if it has or not. I am going to undertake to see if it has. I would suggest that your people take an interest in it, too.

Mr. LEWIS. We will take a look at it.

Senator LONG. Thank you very much.

Mr. LEWIS. Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF ARTHUR D. LEWIS, PRESIDENT, AMERICAN BUS ASSOCIATION

Mr. CHAIRMAN: I appreciate very much the opportunity I have been given to testify before you today. The intercity bus industry which I represent has a vital interest in legislation and government subsidies supporting AMTRAK. AMTRAK serves the principal intercity routes which constitute the major arteries of traffic throughout the country. They are also the principal intercity corridors for the movement of bus traffic. With the intercity bus industry already suffering from a long-term decline in its regular route traffic, the competition from AMTRAK over these arteries is very significant and is contributing to a decline in profitability of the industry. In the past it has been the profit from these more

heavily traveled routes which has provided the cross subsidies permitting the continuance of unprofitable rural routes of light traffic density. The five year operating plan submitted to Congress this last fall by AMTRAK can have a devastating effect on the privately financed intercity bus industry.

Mr. Chairman, I think this is a very critical time to focus careful thought on the past and future direction of AMTRAK and I appreciate the fact that this proposed legislation does just that.

The National Railroad Passenger Corporation, now known as AMTRAK, began as a major experiment in public transportation on May 1, 1971. It started operations on that date as a quasi-public corporation with the charge from Congress to develop rail passenger services in this country on a profitable basis. It was granted pricing freedom and flexibility to generate the revenues that would enable it to make a profit (a freedom from regulation which no other public transportation mode enjoys, either freight or passenger) and most importantly, it had the right to discontinue any passenger service on July 1, 1973 which it believed would prevent it from reaching that goal. As a mixed ownership corporation its stock was held jointly by the federal government and certain railroads which joined the system.

Since that date there has been a complete shift in the goals and objectives set for AMTRAK and, whether it has private stockholders or not, the philosophy underlying its development has been the operation of a rail passenger service without regard to profitability. Not only has the goal of profitability been abandoned, until recently there has been little pressure from any source for AMTRAK to operate in a manner which would reduce or even limit its operating losses.

From the start of operation through September 30, 1977 AMTRAK has suffered operating losses in excess of \$1,886,000,000—rising from \$153.5 million in its first full year's operation in 1972 to \$536.7 million in 1977. Capital grants, including guaranteed loans, during this period totaled \$1.165 billion. Appropriations and guaranteed loans to date approximate \$3.4 billion, including an appropriation of \$664.5 million for 1978.

AMTRAK's Board of Directors last fall adopted a new five year corporate development plan which forecasts a need for subsidy of \$3,629,000,000 for the five year period 1978 through 1982. It has also requested capital subsidies for that period totaling \$1.1 billion (stated in constant 1978 dollars). In addition, Congress has authorized \$1.75 billion for improvements in the corridor between Washington and Boston to improve riding comfort and to permit operating speeds up to 120 miles per hour.

In summary, if AMTRAK's present five year corporate development plan is carried out, during its first eleven years and five months of existence, AMTRAK will have received nearly \$5.5 billion in operating subsidies and nearly \$4.0 billion in capital assistance. Thus, total subsidies and direct assistance in that period of time would be \$9.5 billion.

For that investment, the Nation will have achieved the following results:

In its first six years, AMTRAK passengers increased annually from 16.2 million to 19.2 million, an increase of 18.5 percent. AMTRAK's five year plan forecasts a further growth to 26.4 million passengers by 1982. Thus, after an expenditure of almost \$10.0 billion in subsidy over the 11-year period, AMTRAK's traffic would have increased by only 63 percent—a remarkable example of failure in a public works project.

Another way to look at AMTRAK's failure in the marketplace is a comparison of volume of passenger miles carried with its common carrier competitors and in relation to the total travel market. Passenger miles for AMTRAK in fiscal year 1972 totaled 2.9 billion. This was two percent of the total passenger miles carried by the commercial airlines and the intercity bus industry. By fiscal 1976 it carried 4.1 billion passenger miles and its percentage of common carrier traffic had risen to 2.2 percent. And, rolling into the future, after nearly \$10.0 billion in subsidy, by 1982 AMTRAK will still be carrying only 2-2.5 percent of the combined passenger miles of its two private competitors.

AMTRAK's results are even more discouraging when its passenger miles are compared to the total intercity passenger miles by all modes, including the private automobile. It was less than three-tenths of one percent of the total in 1972. It is still about three-tenths of one percent today and AMTRAK's own forecasts show that it will still be about three-tenths of one percent in 1982.

Mr. Chairman, as an Incorporator of AMTRAK, I remember the frenzied work we did in the Spring of 1971 in setting up the corporation and the hopes all the

Incorporators had that we were taking part in the rebirth of an economically viable intercity rail service in this country—participating in what we thought could be an historic occasion.

I regret to say that at this point AMTRAK constitutes a massive failure. It has come no where near meeting the objectives we believed it might during those long sessions in the Spring of 1971. And, of course, that is the basic reason we are now considering this legislation.

When something fails to this degree it is probably due to multiple causes, among which would be management, public policy, and competition. But failure to this degree probably reflects something even more fundamental * * * it probably fails because it does not have real acceptance in the marketplace. This raises a basic question as to the extent to which the public wants or has need for intercity rail service. It also raises a question as to whether the marketing policies of the corporation have been appropriate to the mission. I think the answers are:

First, the record of AMTRAK's comparative traffic growth indicates there is no great abiding desire on the part of the general public for intercity rail passenger service. At best, the market for intercity rail passenger service represents a very small, splinter segment of the traveling public. It is comprised of a few people who openly admit they are "rail buffs" and would ride a railroad just to fulfill their desire to ride a train. It is also comprised of a few people who must travel by common carrier and who simply will not fly. It is also comprised of people who would otherwise ride the bus and who ride AMTRAK because AMTRAK rates are the same or lower than the bus. Lastly, and principally in the shorter haul corridors, such as Philadelphia-New York, it provides a relatively fast effective service for the business traveler.

Second, having no incentive to make a profit or alternatively, to keep subsidies low, it has priced its services low so as to increase ridership. Its marketing strategies are solely related to what it takes to get more people to ride the train regardless of the cost to the general taxpayer. And, basically, it has adjusted its fares so that over a period of time, it has established a fare structure which is even lower than that of the privately financed intercity bus industry.

AMTRAK has justified this pricing strategy as being required to divert auto traffic to its services. The very slow rate of growth of AMTRAK's traffic indicates that this market strategy has failed. In my experience I have seen little evidence that would indicate that price is of major consideration in the decision of an individual either to take his car or alternately to take any common carrier mode of transportation. The only diversion of business to AMTRAK that has occurred because of its pricing policies has been diversion of traffic from its common carrier competitors, principally from the intercity bus industry.

I do not think that this was the intent of Congress when it established AMTRAK and gave it its pricing freedom. AMTRAK's pricing policies are purely predatory in nature and it is utilizing taxpayers' dollars to engage in these predatory tactics. I do not know of any other government subsidy program which is being subverted in this manner. The utilization of Treasury dollars to support these predatory marketing policies is not only unconscionable but should be illegal. If the American Telephone and Telegraph Company were to price any of its services so clearly below its costs in order to divert business from its competitors, I am sure you could take it to Court and stop it. You might even be able to put some of the senior officers in jail.

I am sure that in very large part AMTRAK's steadily rising need for subsidy reflects these pricing strategies. In 1972 AMTRAK recovered 52 percent of its costs of operation out of the fare box. In 1977 this had dropped to 36 percent. This drop occurred because of management decisions to lower fares against its common carrier competitors and was not due to events over which management had no control.

I think however, Mr. Chairman, that what really went wrong was the change in the original objectives which had been set by AMTRAK in the enabling legislation. The "for profit" goal was abandoned in favor of policies of general development of AMTRAK without substituting some other test of effectiveness or some other way to determine the validity of results or ways of measuring the basic market requirement for the service.

Regardless of whether it is questionable that AMTRAK will ever be able to operate without some subsidy, a profit test is essential if any discipline is to govern the development of corporate and related public policies. It is only natural

that any management will respond to the tests of performance by which it is being measured. If ridership is the sole criterion of good performance, marketing strategies which increase ridership will be developed. On the other hand, if profit (or reduced subsidy dependence) is an important test of performance, management will develop policies which are designed to optimize revenues, even though some reduction in traffic volume might occur. Management will develop pricing strategies which carefully evaluate the net gain from a prospective fare change.

These are the tough pricing decisions one must make in any business managed for a profit. It certainly governs the marketing strategies of AMTRAK's common carrier competitors; the intercity bus companies and the airlines. They must price their product to optimize their net operating profit.

Only AMTRAK has the ability to price itself foolishly in the marketplace and turn to the government to make up the deficit incurred thereby (such, as for example, its recently announced fare policy of giving free rides to children with the presentation of three Kellogg's box tops).

Only AMTRAK can have a policy of deliberately not raising its rates to meet fully the rising costs due to inflation. This policy has been an integral part of the marketing strategy of AMTRAK for several years. In AMTRAK's latest five year plan it projects the higher costs due to inflation for the next five years and proposes to recover only about 30 percent of that increase in higher rates.

On page 31 of its most recent five year operating plan it sets forth its estimated increases in costs due to inflation and shows what it proposes to recover with price increases. These figures are as follows:

[Dollar amounts in millions; fiscal years]

	Fiscal year 1979	Fiscal year 1980	Fiscal year 1981	Fiscal year 1982
Cost inflation	\$73.9	\$159.0	\$279.7	\$439.8
Effect of inflation on revenue	18.1	41.7	77.0	125.5
Cost increases not covered by changes in rates...	55.8	117.3	202.7	314.3

No private business can follow this policy. AMTRAK's competitors have no recourse but to charge higher fares due to inflation except, of course, as they might find ways and means of operating with greater efficiency.

There is no reason that passengers traveling by train should be spared the higher cost of inflation while bus and airline passengers are not. There is also no reason that AMTRAK, as a company, need be spared the incentive to cut costs and increase operating efficiencies as a way of absorbing the higher costs of inflation.

Only AMTRAK can deliberately under price its services and turn to the government to make up the deficit resulting from that action.

Over a period of years, AMTRAK's pricing policies have become predatory and have completely changed the relationship of its average rate level with that of the intercity bus industry. AMTRAK filed its first unique consolidated tariff on February 16, 1972 which restated the basic rates which had been in force when it commenced operation on May 1, 1971. In Table I we have compared basic AMTRAK one-way rates at that time with that of the intercity bus industry on a number of representative routes competitive with the bus. At that time, AMTRAK's one-way rates on these segments exceeded intercity bus rates by 25.9 percent. Since then however, AMTRAK has not increased its rates commensurately with its cost inflation and now its one-way fares on these same routes are only one percent more than the average charged by the intercity bus.

The comparison of one-way fares tells only part of the story. In Table II we compare excursion rates in effect today with the lowest comparable round trip or excursion rates in existence on each of these routes in 1971. Buses offered round trip fares at 190 percent of the one-way fares (i.e. at five percent discount). AMTRAK did not offer any reduction for round trips. Only a few excursion fares were in existence.

In recent years both the bus industry and AMTRAK have experimented with reduced excursion fares. The bus industry has moved to reduce rates during the winter period in the very long haul markets where it did not carry a substantial volume of business. AMTRAK concentrated its reductions in the short

haul markets in the northeast part of the country in an area in which it is highly competitive with the bus industry.

In the Northeast Corridor, AMTRAK has priced round trip excursion fares at a price 50 cents greater than the one-way fares. On certain routes between New York and Chicago it has priced round trip excursion fares at \$5 above the one-way fare. The bus companies have not met these fare cuts in all instances, and as a result AMTRAK's round trip and excursion fares in these markets are now lower, on an average, than fares charged by the bus.

Table III compares the average rates in effect in these markets in 1972 for both the bus industry and AMTRAK and the average rates which are now in effect today. In 1972 AMTRAK's lowest round trip or excursion rates in these markets averaged 24.8 percent above those of the bus industry. Since that date, the average rate charged by the bus industry has risen 53.7 percent while the average fare for AMTRAK has risen only 9.4 percent. AMTRAK now charges 11.2 percent less in these markets for its lowest round trip or excursion fares than does the bus industry.

Mr. Chairman, AMTRAK's pricing strategies have been justified by AMTRAK officials on the basis that they have been mandated by Congress to increase ridership. This, I believe, was a distortion of the original Congressional directive by AMTRAK officials themselves and contrary to implementing legislation. Therefore, I think it is very timely for Congress to reiterate its policy statements regarding AMTRAK developments and state clearly that it should move within a limited period of time to adopt those service and rate policies which will ultimately take AMTRAK off subsidy or reduce it to a very low level. There is no basic reason that the rail passenger should receive heavy government subsidy at the expense of the general taxpayer when no basic public policy is served. There is no marketing reason that rail services should not be made self-sustaining on the routes where AMTRAK provides an important public service, for example, in the Northeast Corridor between Washington and Boston. There is no reason that rail passengers cannot afford to pay at least the costs incurred by AMTRAK in operating its services as well as make some contribution to the cost of fixing up the Corridor.

It is not a valid market assumption that passengers will not pay compensatory rates when the service is important to them. They pay what it costs to ride the airlines and to ride the buses. There is no basic reason to believe the rail passenger will not similarly pay the cost of his trip when he goes by rail, in fact it is an essential service.

AMTRAK could reduce its subsidy requirements drastically if it were made to charge a rate at or near its full costs of doing business. That is true, not only in the Corridor but on its longer routes throughout the country. Of course, it may lose some passengers to other common carriers, but isn't that better than to provide an unnecessary subsidy to all the other passengers who ride AMTRAK who would continue to ride it even at higher fares. And isn't that policy more in keeping with the basic philosophy which should exist in our capitalistic society. Isn't it a more equitable transportation policy when dealing with our competitive transportation system.

AMTRAK partially explains its fare policies on the basis that its traffic is rate sensitive and therefore demand is elastic. Every form of transportation has some degree of elasticity in the demand for its product, but the elasticity is not large. There is no reason to assume that its elasticity is any greater than that for the intercity bus industry. In all probability it is between the elasticity of demand for airline service and bus service. The intercity bus industry and the airlines have had to develop their pricing strategies so as to recover their full costs and demand elasticity has not prevented their doing so. I personally believe that in rail as in airline and bus travel, one can improve net operating results by charging higher rates closer to costs.

Also, regarding inflation, there may be a tendency for some small number of people to stop traveling as the basic cost of travel rises. But, fundamentally, in an inflationary period all consumer prices rise as does personal income. Inflation affects the price of virtually all consumer products as well as transportation. There is no reason why AMTRAK cannot increase its rates proportionately to its increases in the cost of doing business—as does all American business including AMTRAK's competitors.

Mr. Chairman, not since the very beginning has AMTRAK been managed as a private business would have been managed. I am completely convinced that if

its management practices and marketing philosophies were changed that it would move a long way in reducing its need for subsidy and even perhaps someday become as profitable as its competitors. At least it should be forced to try to accomplish that objective. Its rate freedom should be used to maximize its revenues rather than merely to gain some small increment of competitive advantage. While I believe the basic demand for intercity rail services is rather small—a splinter market at best, I am convinced that one exists. I think it will support a reasonable number of the trains that are operating today, particularly those in the more important corridors. I believe that the demand is such that the rail passenger will, by and large, pay the costs for the rail service he gets. And I believe that national transportation policy should see that he pays for his transportation costs just as the bus and airline passenger does.

Mr. Chairman, this bill proposes to eliminate the "for profit" goal set for AMTRAK in the original legislation. This is predicated on the thought that there is no chance that AMTRAK will ever become profitable. I believe this would be a tragic step to take at this time, because it would foreclose any opportunity to make it ultimately profitable or even to reduce its subsidy requirement significantly. The problem of AMTRAK today is not that there is an inconsistency in goals, but because the original profit goal was abandoned and at no time was permitted to act as a test of AMTRAK's operating or marketing efficiency.

The abandonment of the profit goal is the principal reason for the financial disaster that AMTRAK represents today with its diminutive percentage of the total market it accommodates and its enormous annual capital and operational subsidies.

It may well be that AMTRAK can never become profitable even if an all out effort were made to make it so, but that is no reason for abandoning the goal. With the goal in existence there is a very legitimate pressure on AMTRAK to reduce its subsidy to the maximum extent feasible. In 1972 AMTRAK covered 52 percent of its passenger expenses by the prices it charged. That has fallen to 36 percent today. There is no reason we cannot revise the present downward trend, return to the level of 1972 and ultimately expect AMTRAK to cover at least 75 percent of its operating costs out of the fare box. At that time we might even be shown that by a little more imagination and effort that we might be able to achieve full operational profitability.

To abandon the profit goal today merely because we have not charged AMTRAK with that goal in the past will create a condition where its operations never get under control while subsidies mount still further.

TABLE I.—A COMPARISON OF TYPICAL INTERCITY BUS AND AMTRAK 1-WAY FARES, FEBRUARY 1972 AND 1978

	Feb. 16, 1972		Feb. 10, 1978	
	Bus	Amtrak	Bus	Amtrak
New York, N.Y.—				
Boston, Mass.....	\$10.45	\$12.75	\$20.40	\$19.50
Philadelphia, Pa.....	4.35	5.25	9.40	9.25
Washington, D.C.....	11.20	13.00	20.95	20.50
Pittsburgh, Pa.....	19.10	25.25	33.85	33.00
Miami, Fla.....	52.45	59.01	88.30	86.00
Buffalo, N.Y.....	19.40	22.75	36.01	34.40
Chicago, Ill.....	36.40	51.45	64.30	56.00
Chicago, Ill.—				
St. Louis, Mo.....	11.05	13.50	19.55	19.50
Kansas City, Mo.....	18.75	17.00	33.20	32.50
Milwaukee, Wis.....	3.70	4.00	6.55	6.25
Minneapolis, Minn.....	13.25	17.50	23.45	32.50
Detroit, Mich.....	12.70	16.25	22.45	20.50
Cincinnati, Ohio.....	13.80	17.00	24.40	20.50
New Orleans, La.....	31.90	45.00	56.40	54.00
New Orleans, La.—				
Memphis, Tenn.....	18.75	19.00	33.20	30.00
Los Angeles, Calif.—				
San Diego, Calif.....	4.63	4.75	7.48	9.00
San Francisco, Calif.....	13.56	21.00	21.72	26.50
Phoenix, Ariz.....	15.95	19.25	28.25	33.00
Seattle, Wash.....	38.50	57.25	68.20	80.00
Seattle, Wash.—				
Portland, Oreg.....	5.40	6.75	9.60	11.75

Sources. Bus and Amtrak tariffs.

TABLE II.—A COMPARISON OF TYPICAL INTERCITY BUS AND AMTRAK ROUND TRIP AND EXCURSION FARES,¹ FEBRUARY 1972 AND 1978

	Feb. 16, 1972		Feb. 10, 1978	
	Bus	Amtrak	Bus	Amtrak
New York, N.Y.—				
Boston, Mass.-----	\$19.90	\$19.80	\$19.00	\$20.00
Philadelphia, Pa.-----	9.25	10.50	17.90	14.00
Washington, D.C.-----	21.30	26.00	39.85	31.00
Pittsburgh, Pa.-----	36.30	50.50	64.35	38.00
Miami, Fla.-----	86.55	96.68	99.00	87.00
Buffalo, N.Y.-----	36.90	45.50	58.85	46.00
Chicago, Ill.-----	69.20	102.50	80.00	61.00
Chicago, Ill.—				
St. Louis, Mo.-----	21.00	27.00	37.15	29.50
Kansas City, Mo.-----	35.65	34.00	63.10	65.00
Milwaukee, Wis.-----	7.05	7.90	11.50	12.50
Minneapolis, Minn.-----	25.20	35.00	44.60	49.00
Detroit, Mich.-----	24.15	32.50	42.70	31.00
Cincinnati, Ohio.-----	25.25	34.00	46.40	31.00
New Orleans, La.-----	60.65	68.00	88.00	64.00
New Orleans, La.—				
Memphis, Tenn.-----	35.65	29.00	63.10	40.00
Los Angeles, Calif.—				
San Diego, Calif.-----	7.85	9.50	14.21	14.50
San Francisco, Calif.-----	24.41	32.00	41.27	53.00
Phoenix, Ariz.-----	30.35	38.50	53.70	66.00
Seattle, Wash.-----	73.15	114.50	110.00	129.00
Seattle, Wash.—				
Portland, Oreg.-----	8.30	8.95	18.25	18.00

¹ The lower of round trip or excursion fare.

Sources: Bus and Amtrak tariffs.

TABLE III.—COMPARISON OF AVERAGE FARES IN REPRESENTATIVE MARKETS, AMTRAK AND INTERCITY BUSES¹ FEBRUARY 1972 AND FEBRUARY 1978

	Bus	Amtrak	Percent Amtrak greater than bus
Average 1-way fare:			
1972-----	\$17.78	\$22.38	+25.9
1978-----	\$31.39	\$31.73	+1.1
Percent increase-----	76.5	42.5	-----
Average round trip or excursion fare:			
1972-----	\$32.95	\$41.12	+24.8
1978-----	\$50.65	\$44.98	-11.2
Percent increase-----	53.7	9.4	-----

Source: Tables I and II.

Senator LONG. Is Mr. Gambaccini here? Did he arrive?
Would you please come up?

STATEMENT OF LOUIS GAMBACCINI, VICE PRESIDENT AND GENERAL MANAGER, TRANS HUDSON PORT AUTHORITY, AND CHAIRMAN OF THE NORTHEAST CORRIDOR COMMUTER RAIL AUTHORITIES COMMITTEE

Mr. GAMBACCINI. I apologize for not being here earlier. I understood if I were here at 11:30, that would be appropriate.

I have a five-and-a-half page statement.

I don't know what your time constraints are; if you prefer, I can highlight the statement and make myself available for questions.

Senator LONG. We would appreciate it.

Mr. GAMBACCINI. Mr. Chairman, thank you for this opportunity to appear before you to discuss S. 2478.

My name is Louis J. Gambaccini, chairman of the Northeast Corridor Commuter Rail Authorities Committee (NECCRAC), an association of the public agencies which finance local rail passenger service on the Northeast corridor. Of critical importance to our group is the manner in which the Northeast corridor improvement project will affect the operations supported by the members of NECCRAC and the costs to be imposed upon them by the project.

Our first major point is a concern that the corridor or project has not made allowance for the impact of the construction of the corridor on local rail authorities' interests. As a committee, we have set up a task force to ascertain the array of impacts; and we conclude that there would fall to the local rail interests about \$100 million of spending in order to make accommodation for the Northeast corridor project. We feel very strongly that that cannot be borne by the already strapped local commuter authorities.

The remedy that the Northeast corridor project task force proposes is to reach out and get funds out of UMTA.

It does not seem an adequate remedy. Those funds are inadequate.

Furthermore, because the administration bill with respect to UMTA financing calls for an actual major diminution in the available funds for discretionary allocation, we think this is a major problem that must be addressed.

We propose that \$150 million be provided as an allowance to accommodate the impacts to local rail authorities as a consequence of the Northeast corridor project.

A second concern to the members is the workings of sections 703 and 704 of the 4R Act of 1976, which authorizes the Secretary to spend up to \$150 million on station improvements, which are deemed not operationally essential to intercity rail passenger service and which must be matched by an equivalent local contribution. To date, about \$91 million of the \$150 million appears to be allocated in the project budget.

There is a strong feeling among our members that, in fact, there should be an effort on the part of the Federal Government to cover the major improvements to stations. The approach being taken because of budget stricture is to try to define "operationally" in the narrowest possible sense; that is, those improvements that are minimally necessary to accommodate Amtrak.

We submit, as a group, that, in fact, a much fairer approach would be that the usual requirements of ownership should obtain for the Northeast corridor project and Amtrak, and such major functions of a station as utilities, stairwells, roof, electrical systems, the things that make a station work are, in fact, operational needs. They should be borne by the Northeast corridor project and Amtrak.

I mentioned \$91 million. Actually, we note that information from FRA shows that only \$66 million of the \$150 million authorized specifically for nonoperational station improvements has been committed thus far. It leaves an uncommitted balance of \$84 million. We feel the Secretary or the Northeast corridor project should commit that money without the encumbrance of the narrower definition of nonoperational commitments.

Indeed, we proposed that the definitions be reexamined in the light of the realities that I just described.

We propose that USDOT be required to undertake on an urgent basis three studies; namely, addressing the following issues: One, the problems and points of conflict resulting from the corridor construction and improvements as they impact local commuter rail service; two, how access rights to key corridor terminals are to be allocated equitably among the several users of such shared facilities; and three, how operations on the corridor should be managed to assure a fair measure of participation by all interests and equitable priorities in the movement of trains throughout the corridor.

Such studies should be completed not later than the end of the year but at the soonest possible timing.

S. 2478 begins the process of intensive reexamination of the structure and mission of Amtrak.

Section 5 of S. 2478 deserves comment. That provision would permit Amtrak to contract with railroads for intercity rail service on an "avoidable cost" basis. NECCRAC believes that this is an appropriate basis for compensation not only for Amtrak but also for the commuter rail agencies which contract for rail passenger service with ConRail. Under current law (sections 205(d)(5) and 304(e) of the Regional Rail Reorganization Act of 1973), the Rail Services Planning Office has devised a set of commuter rail compensation standards which, in some measure, applies a "fully allocated cost" basis to such arrangements between ConRail's base freight operations and commuter rail. NECCRAC contends that the statutes which led to these RSPO standards should be amended so they are consistent with the basis of compensation proposed in section 5 of S. 2478.

Lastly, NECCRAC is concerned about the provision, proposed in section 9 of S. 2478, which would free Amtrak from State and local law requirements respecting construction, maintenance, repair, and rehabilitation of structures carrying public roads. This provision would effectively absolve Amtrak of responsibility for maintaining highway bridges over railroads, a responsibility which, under some State laws, rests with the railroads over which the highway bridges run. The introduction to the bill generally refers States to seek relief under the bridge rehabilitation provisions in the DOT highway bill, S. 2440.

We don't think that the draft bill adequately contemplates this kind of a passing of the buck. We think the issue is much more complex than that simple resolution. We believe that the issue deserves much fuller consideration than that provided in section 9.

We in NECCRAC, a new organization representing all the corridor rail interests directly impacting the corridor project appreciate this opportunity to make our concerns on these important issues known to the committee as we organize ourselves further in a series of subcommittees in our attempt to provide more significant meaningful data.

We will be happy to work with this committee and the other agencies involved in the Northeast corridor.

Thank you, very much.

[The statement follows:]

STATEMENT OF LOUIS GAMBACCINI, CHAIRMAN, NORTHEAST CORRIDOR COMMUTER
RAIL AUTHORITIES COMMITTEE

Mr. Chairman and members of the subcommittee, I thank you for the opportunity to appear before you today to discuss S. 2478. My name is Louis J. Gambaccini, chairman of the Northeast Corridor Commuter Rail Authorities Committee (NECCRAC), an association of the public agencies which finance local rail passenger service on the Northeast Corridor. Of critical importance to our group is the manner in which the Northeast Corridor Improvement Project will affect the operations supported by the members of NECCRAC and the costs to be imposed upon them by the project.

Transportation Secretary Brock Adams recently acknowledged the importance of these problems in his remarks before the Transportation Research Board on January 4, 1978. He recognizes the interdependence of all Corridor users—Amtrak, Conrail and the commuter agencies—which results from the finite nature of the facilities. He called for the coordination of intra and intercity Corridor Improvements for the benefit of both commuter and intercity passengers, and he acknowledged that these goals represent “a considerable change in the concept of the Northeast Corridor Improvement Project.”

Last fall the various agencies individually registered their complaints about the perceived effects of the Northeast Corridor Improvement Project upon their operations. Since early January of this year a NECCRAC Impact Task Force, composed of representatives of each of its members, has also been working on a more definite identification of the serious issues involving conflicts between commuter and intercity rail needs and the costs which may be imposed on NECCRAC members. The financing of these impacts—the cost of which range into the multi-millions of dollars—has been cavalierly imposed upon the already hard-pressed commuter rail funding agencies. When these agencies complained about this inequity to the Federal Railroad Administration, it urged them to seek UMTA capital assistance for these rail improvements. At this time, and particularly under the proposed Administration transit bill, S. 2441, however, UMTA will have limited discretionary and rail modernization funding available to help commuter agencies meet these costs imposed on them by the Northeast Corridor improvement project. Therefore, this transfer of responsibility to another sister agency will not work. It is imperative that the FRA take meaningful steps to cover the costs it is imposing on others or, to the extent possible, review the project planning to mitigate these adverse effects. For example, NECIP's planned traction power conversion between Washington and New York will require large expenditures by commuter rail operators in order to merely maintain current commuter service levels. The NECCRAC Committee's Impact Task Force has estimated the costs of the traction power conversion decision at close to \$100 million (\$99.65 million is the estimate thus far) to commuter agencies operating along the Corridor. These costs would be borne by New Jersey DOT, SEPTA, Maryland DOT and PATH and would include costs of modifying existing rail cars for operations with dual voltage and frequency, replacing electric locomotives, and making signal and communications modifications.

Consistent with the Secretary's commitment to re-examine the relationship of the project to the Corridor's other users, NECCRAC strongly recommends that this Committee undo the mistakes of the past and authorize an additional \$150 million in federal funds for use in defraying the costs imposed upon commuter rail agencies as a result of the Corridor's traction power conversion decision. Without this money we are convinced that the Corridor project will jeopardize the goal of uninterrupted provision of commuter rail service operating or feeding into the Corridor.

A second issue of concern to NECCRAC members is the working of Sections 703 and 704 of the Railroad Revitalization and Regulatory Reform Act of 1976 in which NECIP authorizes the Secretary to spend up to \$150 million on station improvements which are deemed not operationally essential to intercity rail passenger service and which must be matched by an equivalent local contribution. Some \$150 million is currently set aside for these nonoperational Corridor station improvements. The FRA has said that \$91 million are budgeted for station improvements which it now considers are operationally essential to intercity rail passenger service. As the NECIP budget tightens, many millions of dollars of similar, but desirable, improvements are being deleted from the budget. Other

types of improvements which deserve funding but which are not getting it are items such as the replacement of ancient interlockings in the Amtrak-LIRR East River tunnel areas, whose frequent malfunctioning causes commuter and intercity rail delays. NECCRAC maintains that this operational/nonoperational distinction is unworkable and should be eliminated. Testament to this position is that in the two years since the enactment of Sections 703 and 704, the FRA has been unable to formulate regulations which satisfactorily differentiate between operational and nonoperational improvements.

NECCRAC proposes that, since most stations along the Corridor have been transferred to Amtrak, the federal government should carry the owners' responsibility for upgrading all systems which are basic to the proper functioning of these facilities. This would include electric, heating, ventilating, plumbing and people-moving systems. It would not, however, preclude the sharing of costs by commuter or rapid rail agencies for those efforts at station facilities which are specifically designed to benefit local rail operations.

Recent information from the FRA shows that only \$66 million of the \$150 million authorized specifically for nonoperational station improvements pursuant to section 704(a)(2) of the Railroad Revitalization and Regulatory Reform Act of 1976, has been committed thus far. This leaves an uncommitted balance of \$84 million. It is unclear how much of this money will ever be committed on the 50/50 local matching basis required by section 703(1)(B).

NECCRAC recommends as a stop gap measure that the Secretary be given discretion to use the remaining uncommitted nonoperational station improvement funds without regard to the 50/50 matching requirement for improvements necessitated by the Corridor's traction power conversion decision, toward funding desirable "operational" improvements to joint facilities such as the interlockings used by both Amtrak and the MTA.

As the Secretary observed before the Transportation Research Board, we need cooperative planning on the Corridor aimed at enhancing all user services. NECCRAC believes that the conflicts between commuter and intercity rail passenger service on the Northeast Corridor require systematic analyses. NECCRAC therefore proposes that this sub-committee require USDOT to conduct studies which would examine the following issues:

1. The problems and points of conflict resulting from corridor construction and improvements as they impact local commuter rail interests;

2. How access rights to key corridor terminals, especially Penn Station, New York, are to be allocated equitably among the several users of such shared facilities; and,

3. How operations on the corridor should be managed to assure a fair measure of participation by all interests and equitable priorities in the movement of trains throughout the corridor.

Such reports should be rendered on the earliest possible schedule but in any case, should be furnished not later than the end of 1978.

S. 2478 begins the process of intensive re-examination of the structure and mission of Amtrak. Section 8 would eliminate the characterization of Amtrak as a "for profit corporation" and begin the re-definition of its mission. NECCRAC believes that intercity rail passenger service—both inside and outside the Northeast Corridor—is developing into a federal/state/local partnership. NECCRAC would desire to work with this Committee and other interested parties in this important process.

Section 5 of S. 2478 deserves comment. That provision would permit Amtrak to contract with railroads for intercity rail service on an "avoidable cost" basis. NECCRAC believes that this is an appropriate basis for compensation not only for Amtrak but also for the commuter rail agencies which contract for rail passenger service with Conrail. Under current law (Sections 205(d)(5) and 304(e) of the Regional Rail Reorganization Act of 1973), the Rail Services Planning Office has devised a set of commuter rail compensation standards which, in some measure, applies a "fully allocated cost" basis to such arrangements (between Conrail's base freight operations and commuter rail). NECCRAC contends that the statutes which led to these RSPO standards should be amended so they are consistent with the basis of compensation proposed in Section 5 of S. 2478.

Lastly, NECCRAC is concerned about the provision, proposed in Section 9 of S. 2478, which would free Amtrak from state and local law requirements respecting construction, maintenance, repair and rehabilitation of structures carrying public roads. This provision would effectively absolve Amtrak of responsibil-

ity for maintaining highway bridges over railroads, a responsibility which, under some state laws, rests with the railroads over which the highway bridges run. The introduction to the bill generally refers states to seek relief under the bridge rehabilitation provisions in the USDOT highway bill, S. 2440. The proposed provision offers a narrow and uncertain solution to a complex and serious problem. Many of these bridges are old and in dangerously deteriorated condition. Were the bridge rehabilitation funds not available to a State for any number of reasons, including failure of passage or diversion of funds to even more emergent projects, it would force states to deal with the unlikely prospect of obtaining improvements to the bridges from the Penn Central trustees, whom Amtrak claims is the owner of these highway bridges. Certainly this issue deserves fuller consideration than that provided by Section 9.

We in NECCRAC appreciate this opportunity to make our concerns on these important issues known to the Committee. We are a relatively new body and are now organizing in various Task Forces. We expect this effort to enable us more effectively to interact with all appropriate interests and we look forward to working constructively in the future with all the federal parties involved, including this Committee.

Senator LONG. Thank you.

That concludes the hearing.

We will want to submit some questions to some of the witnesses. If so we will ask them. Please respond promptly to complete the hearing record.

Thank you very much.

[Whereupon, at 12:15 p.m., the hearing was adjourned.]

(The following information was subsequently received for the record:)

STATEMENT OF SAMUEL E. STOKES, JR.

My name is Samuel E. Stokes, Jr. I am a Board member of the National Association of Railroad Passengers and Vice Chairman of the New Hampshire Association of Railroad Passengers.

S. 2478 is a good bill.

Section 2. Authorization of Appropriations. The amounts recommended in this section serve two purposes. They provide for the continued operation of the existing system until the Secretary's route reexamination, as provided in this bill, is adopted. Unless we are going to force more people to drive cars and increase our oil imports, it is essential that our current system keep operating.

The funds also provide for the acquisition of new equipment for the Eastern half of the nation. One of the detriments to increased ridership is the 30-year old, unreliable equipment. Deficits will decrease as travelers return to new, appealing passenger cars which function dependably. There is already new equipment for corridors and for long-distance Western trains. It is only fair that Eastern long-distance trains have new equipment also.

Section 406. Route Reexamination. It is essential that section (a) be approved as written. (a) (4) which establishes a sensible method of computing costs and (a) (6) which will increase ridership if applied wisely will both contribute noticeably toward optimizing public investment in our rail passenger system.

Section 402. Facility and Service Agreements. The first sentence in (a) (1) (A) should be amended to read: "The Corporation may contract with any railroad or public transportation agency for use of tracks and other facilities and the provision of services on such terms and conditions as the parties may agree."

This will entitle the Corporation to run service anywhere it deems worthwhile whether the railroad or public service agency currently participates in the route system or not. This rewording would eventually permit an integrated, nationwide passenger system.

STATEMENT OF HOWARD A. HEFFRON, DIRECTOR, OFFICE OF RAIL PUBLIC COUNSEL

Mr. Chairman, the Office of Rail Public Counsel appreciates your invitation to present the Subcommittee this statement on S. 2478, the National Railroad Passenger Corporation Authorization Act of 1978. The bill provides Amtrak with authorization for appropriations for FY 1979 and, among other things, directs

the Secretary of Transportation to develop an optimal intercity rail passenger system for Amtrak based on market considerations.

As you know, the Office of Rail Public Counsel has recently been established under Section 304(a) of the Railroad Revitalization and Regulatory Reform Act of 1976 ("4R Act"). The Office is an independent agency whose statutory mission is to advocate before the Interstate Commerce Commission and other Federal agencies "the public interest in safe, efficient, reliable and economical rail transportation services". In addition the Office is to solicit, evaluate and present to the ICC the views of those communities and users of rail services not otherwise adequately represented in ICC proceedings concerning rail transportation. We have to build the agency literally from the ground up and are now in the process of initial staffing and organization. In that connection, I have made a basic policy decision to take the time to build a staff, organization, and program of the highest possible quality, rather than assemble a staff in haphazard fashion solely for the sake of an early operational capability.

S. 2478 envisages a planning process which includes public hearings to be conducted by the Rail Services Planning Office ("RSPO") on preliminary recommendations prepared by the Secretary in accordance with the statutory criteria. The legislation requires the hearings to be scheduled and conducted in a manner designed to facilitate participation by affected states and communities. In addition, RSPO is to invite comment on the Secretary's recommendations from Amtrak, concerned Federal and State agencies, and other interested parties. The summary and analysis by RSPO of this record is to be thoroughly considered by the Secretary in preparing the final recommended route system for transmission to Congress.

S. 2478 provides in Section 3 that to the extent practicable the Office of Rail Counsel shall provide the services of attorneys and other necessary personnel in order to protect the interests of those communities and users of rail passenger service which the Director determines might not otherwise be adequately represented in the course of the Public hearings and evaluations to be conducted. This provision appears to be based on the earlier experience of RSPO. During the Northwest and Midwest rail reorganization hearings and evaluations, the Public Counsel section of RSPO performed a similar function pursuant to Section 205(d) of the Regional Rail Reorganization Act of 1973 ("3R Act"), with the result that vital community interests and concerns were articulated and taken into account during the process that otherwise would not have been effectively developed.

In effectuating this provision of the 3R Act, RSPO developed what has become known as the "outreach attorney" program. This concept called for the utilization of skilled lawyers in private practice who were specially trained to assist affected communities and users of rail services in the reorganization proceedings. The outreach attorneys were sent into the field throughout the 17-state region to supplement the work of RSPO's permanent staff in performing the tasks assigned by Congress. Their job was not to file pleadings, enter formal appearances or directly represent any parties in the proceedings, but rather to disseminate useful information and provide guidance to facilitate constructive and responsible local input during the planning process. The first task of the outreach attorneys was to identify and make contact with community groups and leaders likely to be affected by or concerned with the restructuring in view of threatened loss or diminution of rail services, potential loss of employment or tax base, or other adverse impacts. The outreach attorneys then provided them with necessary information about the hearing process and how to participate, and, as practicable, rendered assistance in suggesting useful economic analysis of the impact of proposed changes, advised in connection with the preparation of technical exhibits, expert witnesses and other evidence for the hearings, and kept the full-time public counsel staff apprised of important developments in the field.

We intend to develop an outreach program which will include similar functions. After careful review, we have concluded that the outreach program offers an effective and constructive means for delivering assistance at the community level, in accordance with Congressional intent, at the lowest overall cost to the government. It provides, moreover, a relationship with the government that the public tends to view as positive and helpful in nature, rather than negative or restrictive. Not only are communities, small businessmen, civic organizations, and citizen groups benefitted by the opportunity for more effective and con-

structive participation, but the planning and decisional process itself is improved by having these views and concerns effectively developed in the public record.

It would be time-consuming and unduly expensive to establish an in-house capability to provide the necessary level and type of assistance for the hearings contemplated by S. 2478, through the permanent staff of this Office. That approach would have the additional unfortunate result of building a new bureaucracy which would still be in place after its limited mission had been performed, a result I don't think the Congress intends at this time, and one that certainly I do not intend. Bearing these considerations in mind, my conclusion is that the use of skilled practitioners on an outreach attorney basis is the most feasible way for this Office to assist local interests in the public hearing process contemplated by S. 2478.

S. 2478 spells out a detailed schedule to cover the planning and review process for analysis of the Secretary's preliminary route recommendations. The Secretary is to publish his recommendations on or before May 1, 1978, and thereafter, during the four month period from May 1 to August 31, 1978, public hearings are to be held in different locations around the country in which states, communities and users may participate. We believe that a reasonable breathing period during which interested parties can review and analyze the Secretary's preliminary recommendations should precede the hearing process if the participation of local community groups is to be meaningful and effective. This is particularly so in view of the fact that the initial recommendations are to include not only proposals for restructuring Amtrak's routes but also detailed operational factors, such as the quality of service to be offered on each route, frequency, speed, classes of service, as well as possibilities for intermodal coordination at connecting points. To allow for careful study of the plan, collection of data, preparation of expert witnesses, development of all the relevant considerations applicable to particular local interests, and crystallization of public opinion, we feel that at least 60 days leadtime should be allowed before communities and users are called upon to present their views in public hearings. That would still leave time for conclusion of the hearing phase within the overall schedule contemplated in S. 2478.

As stated earlier, the Office of Rail Public Counsel is now in the early stages of initial staffing and organization. We are moving as rapidly as possible, but our capability will necessarily be limited in the near term future. We do not yet know the number or frequency of hearings that will be required in the field, their geographical locations or durations, or the specific issues that will be involved. All of these factors will significantly affect the demands that will be placed upon the Office's resources and the level of assistance that as a practical matter we will be able to provide.

We expect by July 1 to have initiated an outreach program capable of offering some degree of assistance to affected communities and users, if not the full measure we would hope ultimately to be capable of providing. To the extent that a reasonable leadtime is provided for study and preparation by local interests before they are called upon to present their views, as we have suggested, or if for other reasons the hearings should be scheduled later in the year, then the Office would be in a better position to offer more substantial support and assistance. Whenever the hearing process does begin, however, we wish to assure the Subcommittee that the Office of Rail Public Counsel will undertake to the extent of our capabilities to make a constructive contribution to the process.

I would also like to comment briefly on another provision of S. 2478, which would suspend the adequacy of service regulations issued by the Commission under Section 801 of the Rail Passenger Service Act. The period of suspension would begin on the date of enactment and end 12 months after the effective date of the new basic route system designated by the Secretary. We are not persuaded of the need for a blanket and unconditional statutory suspension of these regulations, which establish basic minimal standards for passenger health, safety and comfort. The matter appears to be one which could be handled by administrative action. In this connection, there appears to be considerable merit in the proposal of ICC Chairman O'Neal that an exemption process, rather than a blanket suspension, be employed for the transition period, whereby Amtrak could apply on a case by case basis for relief from specific requirements to the extent necessary to facilitate changes called for in the revised system plan.

An administrative exemption procedure would provide the Office of Rail Public Counsel with the opportunity of filing comments with the ICC in accordance with its mandate to represent the public interest in safe and adequate rail trans-

portation. Other affected parties, including communities and interested passenger groups, would also be afforded reasonable notice of exemption requests and an opportunity to submit their views.

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