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Before the Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security, Committee on Commerce, Science, and Transportation, United States Senate

Progress and Opportunities in Amtrak's Implementation of the Passenger Rail Investment and Improvement Act of 2008

Statement of Ted Alves
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Good morning Chairman Lautenberg, Ranking Member Wicker, and Members of the Subcommittee. Thank you for the opportunity to discuss Amtrak's efforts to provide higher quality, more cost-effective intercity rail transportation services. The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) reauthorized Amtrak and strengthened the U.S. passenger rail network by tasking Amtrak, the Department of Transportation, the Federal Railroad Administration, states, and others to improve operations and services. PRIIA also assigned Amtrak a clear mission:

> *"To provide efficient and effective intercity passenger rail mobility consisting of high-quality service that is trip-time competitive with other intercity travel options."*

The Act authorized nearly $10 billion for Fiscal Years (FY) 2009—2013 for Amtrak's operating costs and capital investments, including actions to bring the Northeast Corridor to a "state-of-good-repair"[1] and to pay down Amtrak's long-term debt and capital leases. While appropriation levels have increased since PRIIA was enacted, they have been less than the authorized amounts.

The Act also contains provisions to help Amtrak operate more efficiently and to improve services on existing routes. It assigned 29 sections to Amtrak: 15 required Amtrak to act within a specified time frame, 10 suggested that Amtrak take or consider some action, and four required or suggested that Amtrak respond to actions taken by federal or state agencies. For example, the Act directed Amtrak to implement a modern financial accounting and reporting system and develop a five-year financial plan.

As requested, my testimony today will address the preliminary results of our ongoing audit of Amtrak's progress and opportunities in completing provisions of PRIIA.[2] Our audit is assessing the progress Amtrak has made in implementing PRIIA by comparing the Amtrak-assigned PRIIA provisions with the Company's deliverables and responses. We also evaluated the quality and effectiveness of Amtrak's actions to implement four selected sections: *Restructuring Long-Term Debt and Capital Leases* (Section 205); *State Supported Routes* (Section 209); *Long-Distance Routes* (Section 210); and *Passenger Train Performance* (Section 213). We judgmentally selected these provisions on the basis of

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[1] In July 2008, the Secretary of Transportation defined a state of good repair as "[a] condition in which the existing physical assets, both individually and as a system, (a) are functioning as designed within their useful lives, and (b) are sustained through regular maintenance and replacement programs; state of good repair represents just one element of a comprehensive capital investment program that also addresses system capacity and performance."

[2] Next month we plan to issue our final report on the progress that Amtrak has made in implementing PRIIA.

their potential to improve performance and generate savings to Amtrak and the U.S. government.

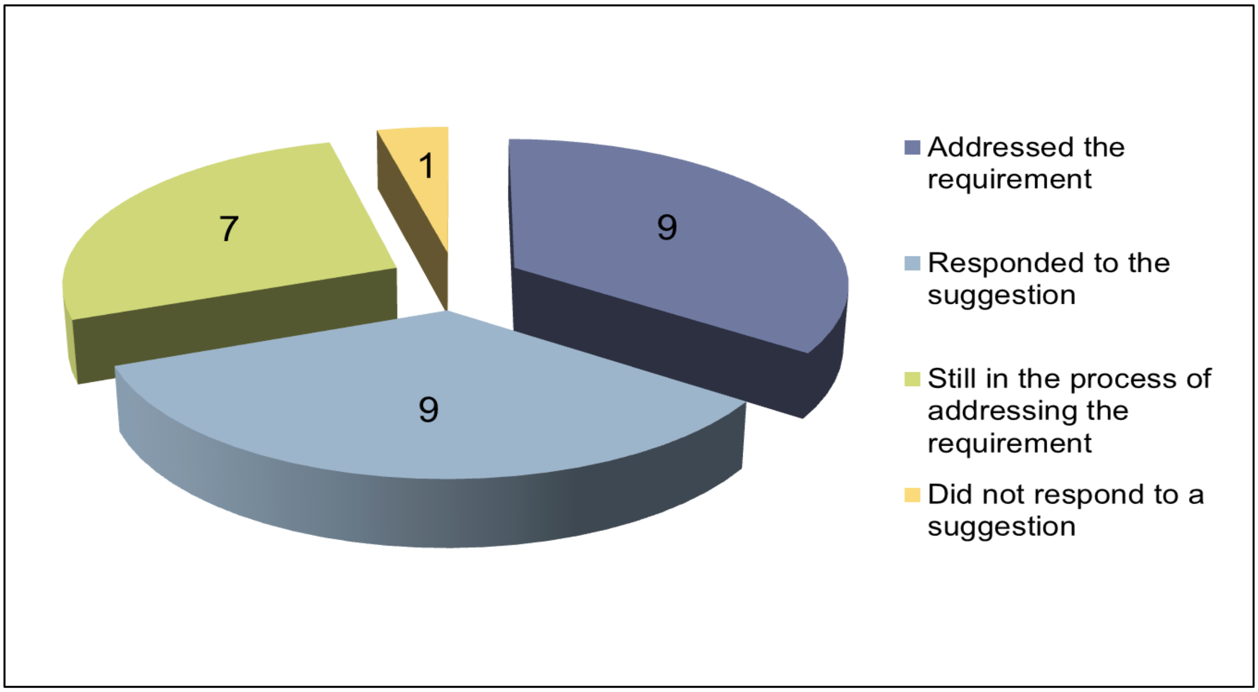
Before I address the preliminary results of that work, I want to thank you, Mr. Chairman, and the Subcommittee, for the support that you have given me and my office since I became Amtrak's Inspector General in 2009. We will continue to build our capacity to conduct effective, independent oversight of Amtrak's operations and offer recommendations for improvement.

I also want to acknowledge some of Amtrak's key recent achievements. Amtrak is now projecting that—for the first time ever—its annual ridership will exceed 30 million passengers for FY 2011. This past June was the best June on record, with more than 2.6 million passengers for the month. Amtrak is also focused on improving its management practices and financial performance, and is finalizing a new strategic plan to guide Company efforts to improve its performance.

GOOD PROGRESS MADE IN ADDRESSING MOST PROVISIONS; OTHERS IN THE PROCESS OF BEING MET

Our preliminary audit results show that Amtrak has embraced PRIIA and has made good progress. As shown in figure 1, Amtrak has addressed 18 of the 29 requirements and suggestions assigned to it. For example, Amtrak issued performance improvement plans for its five worst performing long-distance routes and, with the Departments of the Treasury and Transportation's assistance, restructured some of its capital leases, saving $152 million. Amtrak is working to respond to seven PRIIA sections. For example, it is negotiating with states to implement a standardized cost-sharing methodology for state-supported routes. Amtrak has not responded to one suggestion—that it expand the use of special trains to reduce federal subsidies. As noted in the figure, Amtrak has not responded to three sections because the triggering events that are prerequisites to Amtrak's responding have not occurred.

Figure 1. Amtrak's Progress in Implementing PRIIA Provisions (number of sections)



Note: Amtrak did not have to respond to an additional three sections because the triggering events that are prerequisites to Amtrak's responding have not occurred.

Source: OIG analysis of Amtrak's deliverables and responses and PRIIA's requirements and suggestions

The status of each PRIIA provision and our ongoing review of selected provisions are detailed in the attachment to this testimony. Based on that work, there are five issues I want to bring to the Subcommittee's attention that represent opportunities for savings or improving the implementation of PRIIA provisions:

- **Restructuring More Amtrak Debt Could Generate Savings.** Section 205 authorized the Department of the Treasury, the Secretary of Transportation, and Amtrak to restructure outstanding Amtrak debt, if significant savings would accrue to Amtrak and the federal government. After working with the Secretary of Transportation and Amtrak, Treasury restructured 13 capital leases, saving $152 million ($91 million in present- value dollars).

  Opportunities for substantial savings still exist, but the authorization to restructure debt expired in October 2010. To illustrate, when Amtrak submitted its proposal to Treasury in May 2009, it identified another 39 leases with early buyout options that had the potential to save an additional $426 million ($305 million in present-value dollars). New legislative authority and updated savings estimates would be needed to allow Amtrak and the Departments of the Treasury and Transportation to pursue these savings.

- **Implementing Long-Distance Improvement Plans Faces Challenges.** Section 210 required Amtrak to rank its 15 long-distance routes and develop performance improvement plans, starting with the five worst-performing routes. Amtrak completed the first five plans, which generally call for changes that would significantly improve ridership and several financial metrics, but at the cost of modestly increasing operating losses.

  While Amtrak has begun implementing improvements that are under its control, such as expanding seating, food-service options, and vacation packages, it has been unable to implement the major initiatives. One reason is that major initiatives, such as providing daily service instead of three-day-a-week service, require approval from the host railroad. The host railroads informed Amtrak that their approval is contingent upon its providing millions of dollars to improve their infrastructure. Other impediments are the need for additional federal subsidies at a time of severe budget constraints, and limited availability of passenger rail cars.

  Essentially, Amtrak is not in a position to control many of the key improvement initiatives it proposed. At this point, we believe Amtrak's future improvement plans should focus more on initiatives it can control and implement without requiring additional federal subsidies or support from host railroads.

- **Developing a Process and Criteria to Support Using On-Time-Performance Remedies.** Section 213 authorizes Amtrak to request that the Surface Transportation Board investigate substandard on-time performance of intercity passenger trains, which the Act defines as less than 80 percent on-time for two consecutive quarters. The Board is then to determine the causes of not meeting the on-time-performance standard and, if the cause is the host railroad's failure to provide preference to Amtrak over freight transportation, the Board is authorized to award damages or prescribe other relief that it deems appropriate.

  Amtrak continues to experience on-time-performance rates for many long-distance routes that fall below the PRIIA-defined standard. Amtrak has been collecting the data necessary to determine if and when to request an investigation by the Board. However, our work shows that Amtrak has not developed a structured process or criteria to make this determination. Such a process is a prerequisite to determining if and when to request an investigation, and would enhance the likelihood of success if Amtrak pursues this option.

- **Implementing Amtrak's New Financial System is Key to Completing Several Remaining Provisions** (Sections 203, 204, and 207). Section 203 required Amtrak to implement a modern financial accounting and reporting system by next month. This past June, Amtrak deployed its new system, but the system encountered problems and is not yet fully stable or operational.

  According to Amtrak officials, the previous financial reporting system lacked detailed financial data. However, the new system, being implemented under the Strategic Asset Management program, will provide detailed financial data once fully operational and stabilized. Consequently, we found that while Amtrak has prepared annual five-year financial plans as required by Section 204, the plans have not fully met the PRIIA financial reporting requirements. Also, Amtrak has not been able to meet Section 207 requirements that it maintain detailed data to measure the performance and service quality of intercity passenger trains, including cost recovery. According to a senior Finance Department official, when fully operational, the recently deployed system will help Amtrak meet these requirements.

- **Determining Whether Additional Special Trains Could Help Reduce Federal Subsidies.** Section 216 encouraged Amtrak to increase the operation of special trains to minimize the need for federal subsidies. This is the only PRIIA provision that Amtrak has not acted upon.

  Amtrak officials said that they did not consider this suggestion and have not increased the number of special trains. They stated that the Company does not have the resources, such as the rolling stock and manpower, dedicated for this type of service. Amtrak does, however, provide some special trains, although it accounts for a very small portion of revenue. Still, without adequate analysis to determine whether additional special trains could generate profits to help reduce federal subsidies, Amtrak may be missing an opportunity to generate additional profit by operating more special trains.

PRELIMINARY SUGGESTIONS

While we are still finalizing our audit report on Amtrak's implementation of PRIIA, we can provide our initial thoughts on how Amtrak and the Congress could take advantage of the opportunities available under PRIIA to increase revenues, minimize federal subsidies, and improve performance. Our preliminary suggestions are that Amtrak should take action to

- update its information to support early buyouts of additional capital leases that would generate savings and provide those data to Congress for its consideration,
- focus future performance improvement plans on improvements that are less dependent upon host railroad approval or increased federal subsidies,
- develop a specific process and criteria to help determine how and when to request that the Surface Transportation Board investigate substandard on-time performance, and
- determine whether additional special trains could yield profits to help reduce federal subsidies.

POTENTIAL MATTER FOR CONGRESSIONAL CONSIDERATION

Given that the authorization has expired, the Congress may wish to consider whether to reauthorize the early buyout of those remaining capital leases that will generate saving to the federal government.

Mr. Chairman, this concludes my statement, and I would be happy to answer any questions that you or other Members of the Subcommittee may have.

Attachment

PROGRESS AND OPPORTUNITIES FOR IMPROVING AMTRAK'S IMPLEMENTATION OF PRIIA

While Amtrak has addressed most of PRIIA's requirements and suggestions assigned to it, our ongoing work shows that opportunities remain for improving Amtrak's implementation of three provisions. Amtrak is in the process of addressing the requirements in seven sections and has not responded to one suggestion. And there are three sections in which the triggering events that are prerequisites to Amtrak's responding have not occurred.

Amtrak Has Addressed Most Requirements, Including Developing Performance Improvement Plans for its Long-Distance Routes and a Plan to Improve Onboard Service

The requirements specified in the nine PRIIA sections that Amtrak has addressed range from such diverse topics as requiring Amtrak to report travel expenses for Board of Directors members to producing technical specifications for the next generation of train equipment. The actions Amtrak took to address these nine requirements are summarized in table 1. We selected Section 210 from this group for detailed review and identified opportunities to improve its implementation. This section has requirements deadlines that are to be met over a series of years. The opportunities we identified relate to future-year requirements and implementation issues.

Table 1. Nine PRIIA Requirements Addressed by Amtrak

PRIIA Section	Title	Action
202	*Amtrak Board of Directors*	Amtrak reported all travel and reimbursable business travel expenses for each Board member to specific congressional committees.
210[a]	*Long-Distance Routes*	Amtrak ranked and issued performance improvement plans for its long-distance routes that addressed nine information categories specified in the Act. Amtrak has also implemented some of the plans' initiatives, such as expanding seating and food-servicing capacities and adding certain vacation packages. More plans are required to be developed in the near future.
222	*Onboard Service Improvements*	Amtrak developed and implemented a plan to improve its onboard service pursuant to its performance metrics and standards established under PRIIA.
224	*Passenger Rail Service Studies*	Amtrak issued studies of six prior and current routes to determine whether to reinstate passenger rail service or a station stop, to expand service, or to reduce ticket prices.
226	*Plan for Restoration of Service*	Amtrak issued a plan for restoring passenger rail service between New Orleans and Sanford, Florida.
304	*Tunnel Project*	Amtrak selected and obtained approval of a new rail tunnel alignment in Baltimore.
305	*Next-Generation Corridor Equipment Pool*	Amtrak established a Next-Generation Corridor Equipment Pool Committee and produced the technical specifications for the next-generation train equipment.
306	*Rail Cooperative Research Program*	Amtrak nominated an executive to serve on the advisory board, called the Rail Oversight Committee.
406	*Cross-Border Passenger Rail Service*	Amtrak developed and implemented a strategic plan to facilitate expanded passenger rail service across the Canadian border during the 2010 Olympic Games.

[a]Selected by OIG for detailed review

Source: OIG analysis of Amtrak data

Implementing Long-Distance Improvement Plans Faces Challenges (Section 210)

While Amtrak has ranked its 15 long-distance routes and submitted performance improvement plans for the five worst-performing routes in FY 2010 as required, it has not yet implemented the plans' key initiatives. Amtrak has experienced difficulty because it does not control all the factors required to achieve the key initiatives. These factors include host railroad approval[3] and the availability of additional federal operating subsidies. The host railroads responded that their approval is contingent upon Amtrak's providing millions of dollars to improve their infrastructure. Also, the FY 2010 performance improvement plans are projected to improve many of the routes' operating and financial performance metrics. For example, the projected increase in ridership decreases the loss per passenger mile. However, the plans are projected to do so at the cost of increasing the routes' financial operating losses because the increase in revenues is less than the increase in operating expenses.

Amtrak has put itself in a position in which it cannot control the factors needed to achieve the key improvement initiatives that it proposed. If Amtrak continues to maintain this approach in future improvement plans, versus focusing primarily on initiatives that are not dependent upon host railroad approval or increased federal subsidy, it is unlikely that Amtrak will make significant progress in improving performance on these long-distance routes.

Amtrak Has Responded to Most Suggestions, Including Restructuring Some Capital Leases and Obtaining Services from the General Services Administration

The suggestions contained in nine PRIIA sections, which Amtrak has also responded to, range from making agreements to restructure its capital leases to obtaining services from the General Services Administration. The actions Amtrak took to address these nine suggestions are summarized in table 2. As discussed after the table, we also selected Sections 205 and 213 for detailed review. For Section 205, we identified opportunities for savings by the restructuring of additional capital leases. Since the restructuring authority has expired, it would need to be reauthorized. Further, Amtrak's capital lease data are outdated, and current savings estimates would be needed. For Section 213, we identified opportunities to improve its implementation.

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[3] A host railroad owns and controls the tracks that are used by Amtrak and other intercity passenger rail operators. When an Amtrak train operates on tracks owned or operated by host railroads, the host railroad's dispatching center generally has control over the Amtrak train's movement. An Amtrak engineer must comply with the host railroad's instructions, such as slowing down, stopping, or sitting on a side track for a passing train.

Table 2. Nine PRIIA Suggestions Addressed by Amtrak

PRIIA Section	Title	Action
205[a]	***Restructuring Long-Term Debt and Capital Leases***	The Department of the Treasury, in consultation with Amtrak and the Department of Transportation, restructured 13 Amtrak capital leases. This authorization expired in 2010, 2 years after PRIIA's enactment.
206	***Establishment of Grant Process***	Amtrak complied with the Department of Transportation's newly-established grant application process.
213[a]	***Passenger Train Performance***	Amtrak is collecting and monitoring on-time-performance data for analytical purposes that could be used if it decides to request that the Surface Transportation Board investigate delays by a host railroad for substandard on-time performance due to "freight interference."
218	***General Amtrak Provisions***	Amtrak obtained services, such as purchasing and travel card service, from the General Services Administration. Through this service, it will avoid administrative processing costs compared with previous, paper-based procurement processes.
223	***Incentive Pay***	Amtrak approved merit pay, geographic pay, and spot award programs for its employees, and proposed an incentive pay program to the Board of Directors.
301	***Capital Assistance for Intercity Passenger Rail Service***	Amtrak provided advice and assistance to states in their efforts to obtain capital assistance and grants for intercity passenger rail service.
302	***Congestion Grants***	Amtrak provided advice and assistance to states in their efforts to obtain congestion grants.
402	***Routing Efficiency Discussions with Amtrak***	Amtrak met with host freight railroads and commuter rail entities to develop feasible train schedules to satisfy all users' requirements.
501	***High-Speed Rail Corridor Program***	Amtrak applied for nearly $1.3 billion in infrastructure-improvement grants to bring next-generation, high-speed rail to the Northeast Corridor. The Department of Transportation awarded Amtrak nearly $450 million to upgrade support systems and tracks between stops in Pennsylvania and New Jersey.

[a]Selected by OIG for detailed review

Source: OIG analysis of Amtrak data

Restructuring More Amtrak Debt Could Generate Savings (Section 205)

While the Department of the Treasury, in consultation with Amtrak and the Department of Transportation, restructured 13 Amtrak capital leases, Amtrak still had another 39 at the time of submission with early buyout options.[4] With an investment of $420 million, the estimated savings from the early buyout of the 13 leases was about $152 million ($91 million in present-value dollars).[5]

Opportunities for substantial savings still exist, but the authorization to restructure debt expired in October 2010. To illustrate, when Amtrak submitted its proposal to Treasury in May 2009, it identified another 39 leases with early buyout options that also had the potential to reduce federal costs. At the time of its proposal, paying off the remaining 39 capital leases could have resulted in an additional $426 million ($305 million in present-value dollars) in net savings with a $638 million investment. New legislative authority and updated savings estimates would be needed to allow Amtrak and the Departments of the Treasury and Transportation to pursue these savings.

Developing a Process and Criteria to Support Using On-Time-Performance Remedies (Section 213)

Amtrak continues to experience on-time-performance rates for many of its routes that fall below PRIIA standards. While Section 213, *Passenger Train Performance*, authorizes Amtrak to request that the Surface Transportation Board investigate substandard on-time performance, Amtrak has not requested such an investigation. According to Amtrak officials, they are in the process of developing information and supporting documentation that could be used to make such a request. However, these officials do not have a well-defined process or criteria for developing a request of this type. Developing processes and criteria are a prerequisite to the Company's determining when to request an investigation. Further, sound processes and criteria enhance the likelihood of the Board's agreeing with Amtrak's position.

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[4] Amtrak provided the Department of the Treasury with data that showed its capital leases by their early buyout option dates. On April 30, 2009, Amtrak had 25 and 27 capital leases with early buyout options during FYs 2010—2014 and FYs 2015—2019, respectively.

[5] The $152 million savings is about $10 million less than that reported by the Department of the Treasury.

Amtrak Is Addressing Some Requirements, Such as Implementing an Improved Financial Accounting System and a Standardized Cost-Sharing Methodology for State-Supported Routes

Amtrak is also in the process of addressing seven PRIIA requirements, summarized in table 3. After the table, we discuss the implementation status and challenges to completion for the seven sections.

Table 3. Seven PRIIA Sections Being Addressed by Amtrak

PRIIA Section	Title	Action
203	*Establishment of Improved Financial Accounting System*	Amtrak's previous financial accounting system did not generate detailed data adequate to meet the requirements of these three sections; the new system being implemented under the Strategic Asset Management program is not yet stable or fully operational.
204	*Development of Five-Year Financial Plan*	
207	*Metrics and Standards*	
209[a]	*State-Supported Routes*	Amtrak is working to negotiate a cost-sharing methodology with affected states for establishing and allocating operating and capital costs of intercity rail passenger service. PRIIA requires that the methodology ensure equal treatment of all affected states by October 16, 2013.
211	*Northeast Corridor 'State-of-Good-Repair' Plan*	Amtrak issued the required plan, but used 2022 rather than 2018 as the deadline for returning the Northeast Corridor to a 'state of good repair.' It is implementing the plan.
212	*Northeast Corridor Infrastructure and Operations Improvements*	Amtrak must submit a report detailing the infrastructure improvements needed to provide regular high-speed service between the District of Columbia and New York City, and New York City and Boston. An interim report was submitted, but new data are emerging. Amtrak officials are deciding on how best to transmit these new data.
219	*Study of Americans with Disabilities Act-Compliance Requirements at Existing Intercity Rail Stations*[b]	Amtrak issued the required study, but used 2015 rather than 2010 as the deadline for stations' compliance with the Americans with Disabilities Act. It issued updated studies and will report quarterly on its progress.

[a]Selected by OIG for detailed review

[b] In the next few weeks, we will issue a report on Amtrak's progress in complying with the requirements of the Americans with Disabilities Act of 1990.

Source: OIG analysis of Amtrak data

Implementing Amtrak's New Financial System Is Key to Completing Three Provisions

Amtrak has deployed a new financial accounting and reporting system, being implemented under the Strategic Asset Management program,[6] but has encountered problems; the system is not yet stable or fully operational. As a result, according to Amtrak officials, the Company lacks the detailed financial information it needs to respond to three of the remaining PRIIA provisions. According to a senior Finance Department official, when fully stable and operational, the recently deployed system will help Amtrak meet these requirements.

- **Establishment of Improved Financial Accounting System (Section 203).** This section required Amtrak to implement a modern financial accounting and reporting system and report annually on the allocation of all revenues and costs to each route, line of business, and major activity. Amtrak officials stated that due to the inadequacies of the previous financial reporting system and the fact that its new system, being implemented under the Strategic Asset Management program, has not been stabilized or made fully operational, Amtrak's annual reports do not yet include these costs. According to a senior Finance Department official, Amtrak should be able to include the missing data categories in future reports, once the program is fully operational.

  Amtrak implemented its new financial management system under the Strategic Asset Management program's first segment (Release 1a) in June 2011. We issued two audit reports this year assessing the challenges Amtrak faced during the program's development and implementation.[7] In January, we reported that the design of automated controls to mitigate financial risks was generally sound. However, we found gaps in the design of the controls that did not fully mitigate the financial and operational risks. These gaps put Amtrak at risk of not fully realizing the program's full potential benefits. In particular, a lack of adequate controls can lead to inaccurate financial reporting, vulnerability to fraud, and inefficient business operations. In June, we identified several gaps in the program's testing and contingency plans. Amtrak agreed with our recommendations and stated it is addressing them.

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[6] In 2008, Amtrak launched a company-wide, multi-year effort called the Strategic Asset Management program. The program's goal is to improve key operational, financial, supply chain, and human resources processes by replacing or enhancing many inefficient manual and automated systems with new systems and business processes.

[7] *Strategic Asset Management Program Controls Design Is Generally Sound, But Improvements Can Be Made* (OIG Audit Report 105-2010, January 14, 2011) and *Strategic Asset Management Program: Further Actions Should Be Taken To Reduce Business Disruption Risk* (OIG Audit Report 001-2011, June 2, 2011).

- **Development of Five-Year Financial Plan (Section 204).** This section required Amtrak to issue an annual budget and business plan, along with a five-year financial plan. Amtrak has issued the required annual budgets, business plans, and five-year financial plans. These plans provide Congress with significantly more information than was provided before PRIIA.

  However, Amtrak's two financial plans addressed most but not all of the information required by PRIIA. For example, the five-year plans did not address prior fiscal year and projected labor productivity statistics on a route. According to a senior Finance Department official, route-basis reports are not available because Amtrak does not directly collect an employee count for each route, so employee count projections per route would be highly speculative. A senior Finance Department official stated that the Strategic Asset Management program should be able to generate these financial data.

  The two financial plans also did not address the requirement to report on Amtrak's ability to efficiently recruit, retain, and manage its workforce, although this information is available within the Company.

- **Metrics and Standards (Section 207).** This section required Amtrak and the Federal Railroad Administration, in consultation with the Surface Transportation Board, host railroads, states, Amtrak's labor organizations, and rail passenger associations, to develop metrics and minimum standards for measuring the performance and service quality of intercity passenger train service, including cost recovery. It also required Amtrak to provide the Federal Railroad Administration with reasonable access to the necessary data to publish quarterly reports on the performance and service quality of intercity passenger train operations.

  Amtrak and the Federal Railroad Administration published draft metrics and standards for public comment in March 2009; the final metrics and standards became effective in May 2010. However, Amtrak has not been able to provide the Federal Railroad Administration with data for some of the financial metrics, such as the percentage of short-term avoidable operating costs covered by passenger-related revenues and the long-term avoidable operating loss per passenger-mile, because it lacks the detailed information. According to senior Amtrak officials, the Company should be able to provide the missing metrics once the Strategic Asset Management program is fully operational.

State-Supported Routes (Section 209)

This section required Amtrak—in consultation with the Department of Transportation, relevant state governors, and the District of Columbia mayor—to develop and implement a standardized, nationwide methodology for establishing and allocating operating and capital costs of state-supported rail passenger service. It also required that the methodology ensure equal treatment of all affected states by October 16, 2013.

Amtrak officials stated that negotiating cost-sharing agreements has been difficult—especially during economic conditions in which resources are scarce. However, Amtrak has made progress toward reaching a negotiated agreement. According to Amtrak, the Company and the state working group[8] reached an agreement on a standardized methodology this past May. Further, an Amtrak briefing states that it issued a final draft package to all state partners last month for their approval.

According to Amtrak officials, since PRIIA did not specify the amount that the states' share should represent, negotiations between the Company and its state partners never considered a fully allocated cost-sharing methodology. Amtrak reasoned that requiring such a methodology could lead some states to reduce or cancel some state-supported routes if they considered their costs to be too great. Amtrak documents show that if some state-supported services were reduced or cancelled, it would not be able to reduce shared costs sufficiently to avoid increases in operating deficits and increased shared costs for all remaining services. While Amtrak estimates that the proposed methodology will increase annual state contributions by $127 million in FY 2014, a fully allocated cost-sharing methodology could increase state contributions by approximately another $100 million per year.

Northeast Corridor State-of-Good-Repair Plan (Section 211)

This section required Amtrak, in consultation with the Secretary of Transportation, the corridor states, and the District of Columbia, to prepare a capital spending plan to return the Northeast Corridor to a state of good repair by the end of FY 2018.

Amtrak issued the required spending plan in April 2009. However, it established an end date for returning the Northeast Corridor main line to a state of good repair that was later than the one specified by PRIIA. Amtrak officials concluded that this task could not be accomplished within that time frame without adversely affecting the level

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[8] The States for Passenger Rail and the American Association of State Highway and Transportation Officials established the state working group to work with Amtrak in the development of a cost-sharing methodology.

of service. They decided, instead, that the task could be accomplished by 2022 without an adverse effect on service. Amtrak used the 2022 date in preparing the required plan, which it is now implementing.

Northeast Corridor Infrastructure and Operations Improvements (Section 212)

This section required Amtrak to submit a report detailing the infrastructure and equipment improvements necessary to provide regular high-speed service between the District of Columbia and New York City, and between New York City and Boston. Specifically, it requires the report to identify the infrastructure and equipment improvements necessary to provide regular high-speed service between (1) the District of Columbia and New York City in 2 hours and 30 minutes, and (2) New York City and Boston in 3 hours and 15 minutes.

In October 2009, Amtrak issued an interim assessment of improving Northeast Corridor trip times,[9] but also recognized that further refinements were likely, due to ongoing actions to improve operations.[10] At the same time, Amtrak reported that it would update and expand upon the interim assessment with (1) completion of the ongoing cooperative activity, (2) consultation with the Northeast Corridor Infrastructure and Operations Advisory Commission, and (3) federally-required environmental analysis. According to a Policy and Development Department official, Amtrak is currently in the process of deciding whether to incorporate the additional data in an updated report or into a comprehensive plan to enhance the corridor infrastructure and operations.

Study of Compliance Requirements at Existing Intercity Rail Stations (Section 219)

This section required Amtrak—in consultation with station owners and other railroads—to evaluate the improvements necessary to make the stations it serves accessible to and usable by individuals with disabilities. It specified that the evaluation include a detailed plan and schedule for bringing all applicable stations into compliance by the 1990 Americans with Disabilities Act's statutory deadline of 2010.[11]

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[9] Amtrak, *An Interim Assessment of Achieving Improved Trip Times on the Northeast Corridor* (October 21, 2009).

[10] In September 2010, Amtrak issued *A Vision for High-Speed Rail in the Northeast Corridor*, which presents Amtrak's initial look at how high-speed rail service could be successfully developed in the Northeast Corridor.

[11] In the next few weeks, we will report on the progress Amtrak has made in complying with the Americans with Disabilities Act's requirements.

Amtrak reported to Congress on its progress to comply with the Act in February 2009, and updated it in October 2010 and August 2011. However, Amtrak used a later deadline than the one specified by PRIIA because it reported that it could not meet the legislative time frame for achieving compliance. The Company initially used September 30, 2015, as the goal for meeting this requirement. In the 2011 update, Amtrak reported that it will work to achieve the Act's compliance at all stations for which it has responsibility by the end of 2015. It also noted that progress has been slower than anticipated because of the challenges associated with management of a program of this size and complexity. Further, Amtrak expects that coordination with and cooperation from other entities (who own the stations or land) will continue to be a major challenge. It pledged in the update to report quarterly on the progress it is making.

Amtrak Did Not Respond to the Suggestion in the Section on Special Trains

Section 216, *Special Passenger Trains*, encouraged Amtrak to increase the operation of special trains[12] funded by or in partnership with private-sector operators through competitive contracting to minimize the need for federal subsidies. Although Amtrak operates special trains, officials of the Marketing and Product Development Department said they did not consider the suggestion and have not increased the number of special trains. Amtrak officials stated that the Company does not often operate special trains because it does not have the resources, such as the rolling stock and manpower, dedicated for this type of service. Consequently, special trains have traditionally generated a small portion of Amtrak's revenues. Still, without adequate analysis to determine whether additional special trains could generate profits that, in turn, could help reduce the amount of federal subsidies needed, Amtrak may be missing a potential opportunity under PRIIA to generate additional profits by operating more special trains.

Amtrak Has Not Yet Been Required to React to Sections on a Decision-Making Methodology and Changes in Amtrak-Operated Routes

Amtrak has not had to react to three sections because the events that are a prerequisite to requiring an Amtrak response have not occurred. Specifically:

[12] A special train is one that does not appear on Amtrak's timetable since it is operated on an "as-needed" basis following a contractual agreement between Amtrak and the party requesting the service. An example is a passenger train added for a sporting event, such as the Super Bowl.

- Because the Federal Railroad Administration has not recommended any methodologies to determine which intercity passenger routes and services to provide under Section 208*, Methodologies for Amtrak Route and Service Planning Decisions*, the precondition for Amtrak to respond has not been met.

- Because no Amtrak-operated route has been eliminated under Section 215*, Employee Transition Assistance*, the precondition for Amtrak to certify that it made a reasonable attempt to reassign affected employees has not been met.

- Because no state has selected an entity other than Amtrak to operate an intercity passenger train route under Section 217*, Access to Amtrak Equipment and Services,* the precondition for Amtrak to develop an access agreement to its equipment and services has not been met.