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PASSENGER RAIL INVESTMENT AND IMPROVEMENT ACT OF 2008:

Accomplishments and Requirements that Deserve Consideration for Future Authorizing Legislation

Audit Report OIG-A-2014-003 | January 9, 2014

AMTRAK

NATIONAL RAILROAD
PASSENGER CORPORATION

Office of Inspector General

REPORT HIGHLIGHTS

Passenger Rail Investment and Improvement Act of 2008: Accomplishments and Requirements that Deserve Consideration for Future Authorizing Legislation

Audit Report OIG-A-2014-003, January 9, 2014

Why We Did This Review

Section 221 of the 2008 Passenger Rail Investment and Improvement Act (PRIIA) requires the Department of Transportation Office of the Inspector General (DOT OIG) to assess Amtrak's progress implementing the Act's provisions within three years of enactment, and two years thereafter. With the approval of the Authorization Committees, we reached agreement with the DOT OIG that we would assess Amtrak's progress implementing provisions assigned to it. We issued our first audit report on October 26, 2011. This report provides the results of our second audit.

Our reporting objectives were to provide an assessment of (1) the corporation's progress implementing Amtrak-assigned PRIIA provisions by comparing the provision's requirements to the progress it has made to address them, and (2) the areas that present opportunities for savings and improved performance and service quality.

This report addresses the following Amtrak OIG Focus Area:

Train Operations and Business Management

For further information, contact Dave R. Warren, Assistant Inspector General for Audits (202) 906-4600

The full report is at www.amtrakoig.gov/reading-room

What We Found

Amtrak has made significant progress implementing PRIIA by addressing 24 of the 29 assigned provisions. The corporation continues to work on incorporating eight categories of information that were not fully addressed in the last five-year financial plan, and on developing new agreements for allocating costs, revenues, and compensation for Northeast Corridor commuter facilities and services. Amtrak has not had to react to three provisions because the events that trigger a response have not yet occurred.

Three areas provide opportunities for savings and improved performance and service quality:

- Amtrak with Treasury's assistance has successfully completed restructuring its debt on 13 capital leases, saving about $173 million; however, the authorization for this provision expired in October 2010. Amtrak with Treasury's assistance could reduce its costs and federal subsidy requirements by about $393 million ($282 million in present-value dollars) from FY 2014 through FY 2019 if this provision is reauthorized.
- In July 2013, the U.S. Court of Appeals for the D.C. Circuit ruled that the performance metrics and standards developed under PRIIA were not enforceable. This ruling invalidated the metrics and standards, eliminating those that measure on-time performance and the requirement to incorporate metrics and standards into the operating agreements with host railroads. It also eliminated the authority for the metrics and standards to be unilaterally reissued absent new authorizing legislation.
- Additional time and resources are needed to fully implement the Northeast Corridor state of good repair plan, the Northeast Corridor infrastructure and operations improvements, and the compliance requirements of the Americans with Disabilities Act. Reauthorizing the reporting requirements in these three provisions would provide information to stakeholders to help make informed decisions to execute these long-term efforts.

We recommend that Amtrak fully address the requirements for the annual five-year financial plan. Congress may want to consider three areas that present opportunities for savings and improved performance and service quality in future authorization legislation. These areas include the provisions related to early buyout options for capital leases, performance metrics and standards, and reporting for plans that require additional time to complete.

Agency Corrective Actions

In commenting on a draft of our report, Amtrak agreed with our recommendation.

AMTRAK
NATIONAL RAILROAD
PASSENGER CORPORATION

The Inspector General

Memorandum

To: Joseph Boardman, President and CEO

From: Ted Alves, Inspector General

Date: January 9, 2014

Subject: *Passenger Rail Investment and Improvement Act of 2008: Accomplishments and Requirements that Deserve Consideration for Future Authorizing Legislation* (Audit Report OIG-A-2014-003)

This report provides the results of our audit of Amtrak's progress implementing the provisions of the 2008 Passenger Rail Investment and Improvement Act (PRIIA). Section 221 of the Act requires the Department of Transportation (DOT) Office of the Inspector General (OIG) to assess the progress of Amtrak and the Federal Railroad Administration (FRA) implementing the Act's provisions within three years of PRIIA's enactment, and two years thereafter. With the approval of the Senate and House Authorization Committees, we reached agreement with the DOT OIG that Amtrak OIG would assess the corporation's progress and the DOT OIG would address FRA's progress implementing PRIIA provisions. We issued our first audit report on October 26, 2011.[1] In keeping with the arrangement, this report provides the results of our second audit.

We initiated this audit in April 2013. Our reporting objectives were to provide an assessment of (1) the corporation's progress implementing Amtrak-assigned PRIIA provisions by comparing the provision's requirements to the progress it has made to address them, and (2) the areas that present opportunities for savings and improved performance and service quality. For a discussion of our scope and methodology, see Appendix I.

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[1] *Passenger Rail Investment and Improvement Act of 2008: Amtrak Has Made Good Progress, but Continued Commitment Needed to Fully Address Provisions* (Report No. OIG-A-2012-001, October 26, 2011).

AMTRAK ADDRESSED MOST PROVISIONS AND CONTINUES TO WORK ON TWO; THREE NOT YET REQUIRED TO ACT

The corporation has made good progress meeting the Act's provisions, which is a significant accomplishment given the magnitude of the issues:

- Amtrak addressed or responded to 24 of the 29 provisions assigned to it. For example, the corporation issued performance improvement plans for its long-distance routes and, with the assistance of DOT and the Department of the Treasury (Treasury), restructured some of its capital leases, saving $173 million ($115 million in present-value dollars).

- Amtrak continues to work on responding to two provisions. First, Section 204, *Development of Five-Year Financial Plan*, requires the corporation to address at least 16 categories of information, including projected revenues and expenditures and projected ridership, in its annual five-year financial plan. The corporation has issued all of the required annual five-year financial plans. However, the five-year financial plan for fiscal year (FY) 2013 through FY 2017 did not fully address eight data categories—expenditure forecasts for non-passenger operations; projected capital and operating requirements, ridership, and revenue for any new passenger service operations or service expansions; assessments of the corporation's ability to efficiently recruit, retain, and manage its workforce; annual cash flow forecasts; projected operating ratio, cash operating loss, and cash operating loss per passenger on a route, business line, and corporate basis; prior fiscal year and projected specific costs and savings estimates resulting from reform initiatives; projected labor productivity statistics on a route, business line, and corporate basis; and prior fiscal year and projected equipment reliability statistics.

- Second, the corporation is a member of the Northeast Corridor Infrastructure and Operations Advisory Commission, which continues to develop and implement a methodology for allocating costs, revenues, and compensation required by Section 212, *Northeast Corridor Infrastructure and Operations Improvements*. Within 2 years of PRIIA enactment, the Commission is to develop a standardized formula for determining and allocating costs, revenues, and compensation for Northeast Corridor commuter rail passenger transportation. This section also requires Amtrak and public authorities providing commuter rail passenger transportation on the Northeast Corridor to implement new agreements for usage of facilities or services based on this standardized formula. Further, if the entities fail to implement such new agreements in accordance with the timetable, the Commission shall petition the Surface Transportation Board to determine the appropriate compensation amounts for such services. The Vice President of Operations estimates that the development of the methodology will be completed in the summer of 2014, and implemented in October 2014.

- Amtrak has not had to react to three provisions because the events that trigger its response have not yet occurred. For example, no Amtrak-operated route has been eliminated under Section 215, *Employee Transition Assistance*, which is the precondition for the corporation to certify that it made a reasonable attempt to reassign affected employees.

For a detailed discussion of the corporation's progress implementing each provision, see Appendix II.

THREE AREAS THAT PROVIDE OPPORTUNITIES FOR SAVINGS AND IMPROVED PERFORMANCE AND SERVICE QUALITY

We identified three areas in the 2008 legislation that warrant consideration in future authorization legislation because they provide opportunities for savings and improved performance and service quality:

- provisions related to early buyout options for long-term debt and capital leases, providing the greatest opportunity for savings
- metrics and standards for improving and measuring the performance and service quality of intercity passenger rail service
- reporting requirements for programs that require additional time and resources to implement

These areas are discussed below.

Reauthorizing the Authority to Restructure More Long-Term Debt and Capital Leases Would Generate Savings (Section 205)

Exercising buyout options can significantly lower Amtrak's lease payment and debt service costs. Under PRIIA, Amtrak and Treasury have successfully completed restructuring Amtrak's debt on 13 capital leases. Their actions have saved about $173 million ($115 million in present-value dollars) from FY 2011 through FY 2013. Section 205, *Restructuring Long-Term Debt and Capital Leases*, authorized the Secretary of the Treasury—in consultation with the Secretary of Transportation and the corporation—to enter into negotiations with holders of Amtrak debt and repay that debt. However, the authorization for this section expired two years (October 16, 2010) after PRIIA enactment. If the corporation was able to exercise future early buyout options with Treasury's support, it could reduce its financing costs and federal subsidy requirements by about $393 million ($282 million in present-value dollars) from FY 2014 through FY 2019.[2]

Table 1 shows the breakout by fiscal year of the 13 capital leases that Treasury selected and that Amtrak restructured, which resulted in $173 million ($115 million in present-value dollars) in savings. Treasury selected leases whose buyout options could be exercised after the date of the signed memorandum of understanding by DOT and Treasury (October 15, 2010)[3] and before September 30, 2013. The corporation exercised approximately $427 million of the early buyouts and saved approximately $600 million in future payments, in effect saving approximately $173 million ($115 million in present-value dollars).

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[2] Amtrak originally provided Treasury with a listing of 52 leases with early buyout options from FY 2010 through FY 2019. It has completed early buyouts of 13 leases from FY 2011 through FY 2013. For the remaining 39 leases, the corporation bought out six leases, leaving a balance of 33 leases.

[3] *Memorandum of Understanding between the Secretary of the Treasury and the Secretary of Transportation*, October 15, 2010, set forth the terms and conditions for the exercise of certain early buyout options on some leases entered into by Amtrak.

Table 1. Early Buyout of Capital Leases from FY 2011–FY 2013 (dollars in millions)

Fiscal year	Number of leases	Maturity value	Early buyout amounts	Estimated savings	Estimated savings (present value)[a]
2011	2	$75	$52	$23	$15
2012	6	364	265	99	63
2013	5	161	110	51	36
Total	**13**	**$600**	**$427**	**$173**	**$115**

[a] Present value is based on the dates of the early buyout options.

Note: Figures do not total due to rounding.

Source: OIG analysis of Amtrak data

As shown in Table 2, the corporation has 33 capital leases with early buyout options from FY 2014 through FY 2019. Restructuring these leases could result in savings of $393 million ($282 million in present-value dollars). To accomplish early buyout of these leases, $571 million would be required, but funding from Treasury to finance the buyouts will not be available for future buyout options because the authorization for this section expired two years (October 16, 2010) after the date of PRIIA enactment.

Table 2. *Capital Leases with Early Buyout Options from FY 2014–FY 2019* (dollars in millions)

Fiscal year	Number of leases	Maturity value	Early buyout amounts	Estimated savings	Estimated savings (present value)[a]
2014	9	$304	$197	$108	$65
2015	3	17	10	7	5
2016	2	71	36	36	33
2017	8	230	138	92	68
2018	8	278	154	124	91
2019	3	64	36	28	21
Total	**33**	**$965**	**$571**	**$393**	**$282**

[a]Present value is based on the dates of the early buyout options.

Notes: Figures do not total due to rounding.

Amtrak is considering whether or not to exercise early buyouts of 20 leases eligible from FY 2016 through FY 2019 because the equipment may not be needed after their lease periods end.

Source: OIG analysis of Amtrak data.

To fund the FY 2014 early buyouts, the corporation has requested almost $200 million to exercise early buyouts of the nine leases as part of its FY 2014 federal capital grant request. If this funding is not provided, the corporation is also considering obtaining loans to exercise early buyouts of the nine leases eligible in FY 2014. Also, Congress could reauthorize the provision to give Treasury the authority to make agreements to restructure and pay the corporation's indebtedness, including leases.

Authorizing FRA to Develop and Issue New Metrics and Standards Is Key to Measuring and Improving Performance and Service Quality (Section 207)

Section 207, *Metrics and Standards*, required the corporation and FRA—in consultation with the Surface Transportation Board, host railroads, states, labor organizations, and rail passenger associations—to develop metrics and minimum standards for measuring and improving the performance and service quality of intercity passenger train service, including cost recovery and measures of on-time performance. This section is important because one of the underlining purposes of this section was to increase on-time performance through the requirement that Amtrak incorporate those metrics and standards into its operating agreements with host railroads to the extent practicable. The corporation worked with FRA to develop the required metrics and standards, which became effective on May 12, 2010.

In July 2013, the U.S. Court of Appeals for the D.C. Circuit ruled that the performance metrics and standards developed under PRIIA were not enforceable.[4] This decision invalidated (1) the metrics and standards, including those that measure on-time performance of Amtrak trains operating on host railroad tracks, financial metrics (e.g., requiring continuous year-over-year improvement in percentage of short-term avoidable operating cost covered by passenger-related revenue); (2) the corollary requirement that Amtrak incorporate those metrics and standards into its operating agreements with host railroads to the extent practicable; and (3) likely, the quality or customer service metrics (e.g., requiring certain percentages of passengers reporting "very satisfied" with service). It also eliminated the authority for the metrics and standards to be unilaterally reissued if there is no new authorizing legislation.[5]

Although the court ruled that the metrics and standards were not enforceable, Amtrak continues to use a series of internally-developed metrics and performance targets to measure and track progress in accomplishing each of its strategic goals. Performance plans for employees at all levels of the corporation are tied to these metrics beginning with the executive committee and cascading throughout the corporation. This process is expected to help to ensure that all employees are contributing not only to their group or department, but also to the corporation's overall strategic goals. The metrics include:

- *financial and operating*—cost recovery, loss per passenger-mile, and passenger-miles per train-mile

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[4] Representing the freight railroads, the Association of American Railroads had bought a lawsuit against DOT, the Secretary of Transportation, FRA, and the FRA Administrator that challenges the constitutionality of Section 207 and argued that the court should strike down Section 207. The Association contends that because regulating host freight railroads performance is a governmental function, it is unconstitutional to delegate to a private entity, Amtrak, the authority to participate in crafting those regulations.

[5] It should be noted that the government requested the court of appeals to rehear this appeal before all of the appellate judges (*en banc*), contending that Section 207 does not delegate to a private party regulatory authority having the force of law. On October 11, 2013, the court of appeals denied the government's petition for rehearing en banc.

- *on-time performance and train delays*—effective speed, endpoint on-time performance, all stations on-time performance, and host railroad and Amtrak train delays
- *customer satisfaction*—overall satisfaction, personnel, communications, on-board service, train station, and sleeping car experience

Reauthorizing the Reporting Requirements in Three Provisions Would Ensure Information for Congress and Other Stakeholders to Help Make Informed Decisions About Three Long-term Programs (Sections 211, 212, and 219)

Additional time and resources are needed to implement the Northeast Corridor state of good repair plan, Northeast Corridor infrastructure and operations improvements, and the Americans with Disabilities Act of 1990, as amended (ADA) compliance requirements at intercity rail stations. During their implementation, reauthorizing the reporting requirements would provide information for Congress and other stakeholders to help make informed decisions about these long-term programs. Some of the issues related to these provisions are:

- **Section 211, Northeast Corridor State-Of-Good-Repair Plan.** This provision requires the corporation—in consultation with the Secretary of Transportation, Washington D.C., and the states that make up the Northeast Corridor—to prepare a capital spending plan for projects required to return the Northeast Corridor main line to a state of good repair. The plan is to be updated at least annually. Amtrak reported that the state of good repair includes the costs to maintain assets within their useful lives or replace them if they exceed their useful life.[6] The corporation estimated that approximately $10.4 billion will be needed between FY 2009 and FY 2023 to return the Northeast Corridor infrastructure to a state of good repair and eliminate the infrastructure backlog of deferred investment. According to Amtrak's plan, if it fails to fund these projects or greatly extends the timeline, the total cost of obtaining a state of good repair

[6] On July 25, 2008, the Secretary of Transportation defined the 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."

will be significantly greater. Ordinary maintenance costs will rise and individual component renewals will become more frequent. Also, the corridor will suffer a decrease in the reliability of commuter and intercity passenger rail service.

However, the corporation has not received the necessary funding to fully implement the plan. Amtrak reported that recent funding has only allowed it to prevent the backlog from growing.[7] There has been inadequate funding to replace major assets, such as tunnels and bridges, that are beyond their designed life. This has resulted in choke points, rough track beds, and outdated signals, bridges, and electric traction infrastructure that continue to limit speeds within the Northeast Corridor. Therefore, further extensions are likely to the corporation's estimated completion date in the Northeast Corridor state of good repair plan.

Amtrak management believes that the annual state of good repair spend plan required under PRIIA should be incorporated within a broader comprehensive capital investment planning framework. That framework would address state of good repair and growth needs on the corridor for Amtrak, as well as, the eight commuter agencies that rely on the Northeast Corridor. Because the corridor is currently at or reaching its capacity limits on many segments, they believe capital investment plans designed to achieve a state of good repair and accommodate reasonable forecasts of future growth, are the most cost effective in the long-term. They also noted this would help to minimize disruption to existing services during construction, a critically important consideration on a rail line that is among the busiest in the world, handling more than 2,000 trains a day.

Amtrak management also stated that a comprehensive five-year plan, that includes state of good repair and growth needs, is currently being developed in cooperation with the Northeast Corridor Infrastructure and Operations Advisory Commission and its member agencies including DOT, Amtrak, and the northeast states. The Commission, created under PRIIA, is responsible for making recommendations to Congress on capital investment needs, and the comprehensive plan. The five year plan will include investment needs on non-Amtrak owned portions of the corridor in New York and Connecticut, and will form the basis for recommendations to Congress. Preliminary estimates, that will

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[7] *Amtrak's Fiscal Years 2013 – 2017 Five Year Plan*, May 2013.

be further refined by upcoming state of good repair assessments and five-year capital planning process, suggest that the complete costs of efforts, including normalized replacement, programmatic backlog and major project backlog amounts, will significantly exceed the 2011 estimate.

- **Section 212, Northeast Corridor Infrastructure and Operations Improvements.** This provision requires the corporation to issue a report detailing the infrastructure and equipment improvements necessary to provide regular high-speed service between Washington D.C. and New York City; and between Boston, Massachusetts, and New York City. In 2009, the corporation reported that achieving significantly reduced trip times on the Northeast Corridor has become increasingly difficult because of a combination of factors, including the continuing backlog of deferred investment, growing demand and increased utilization of the corridor leading to significant capacity constraints, and limitations of existing equipment.[8] The corporation also reported a listing of projects and an order of magnitude estimate of costs from FY 2010 through FY 2023.

  However, according to Amtrak's report, funding has not been sufficient to achieve these trip time goals for the corridor. The corporation also reported that continued reliance on annual appropriations to fund the Northeast Corridor capital program will continue to frustrate efforts to meet trip time goals for the corridor. Other significant challenges to meeting the goals include coordinating among numerous owners, operators, and other stakeholders; and developing and apportioning sufficient financial resources to improve the infrastructure and sustain growth.

- **Section 219, Study of Compliance Requirements at Existing Intercity Rail Stations**. This provision requires the corporation, in consultation with station owners and other railroads, to issue an evaluation of the improvements necessary to ensure that the stations it serves comply with ADA. The evaluation is to include a detailed plan and schedule for bringing all applicable stations into compliance, along with recommendations for funding the necessary improvements. The corporation reported to Congress on its progress to comply

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[8] Amtrak, *Interim Assessment of Achieving Improved Trip Times on the Northeast Corridor—PRIIA Section 212 (d)*, October 21, 2009.

with ADA in February 2009, and updated its evaluation in October 2010, August 2011, May 2012, August 2012, December 2012, and October 2013.

In September 2011, we reported that the October 2010 plan update refocused the corporation's ADA compliance program.[9] First, while the February 2009 plan focused on both ADA compliance and "state of good repair" work, the plan update focused solely on ADA compliance work. Second, the 2009 plan focused on all Amtrak served stations that were required to be ADA-compliant, while the plan update initially focuses efforts on the stations for which the corporation has sole responsibility but are not fully ADA-compliant, and then the stations at which the corporation shares responsibility and also are not fully compliant. Third, the October 2010 update did not include an estimate of the funding required to achieve compliance by Amtrak's goal date.

In its 2011 update,[10] the corporation reported that it will work to achieve the Act's compliance, at all stations for which it has responsibility, by the end of FY 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.

In 2012,[11] the corporation reported that this effort was a large, multi-year undertaking that will require significant financial resources and staff time. The corporation reported to Congress that additional, substantial changes would be required at numerous stations because of the DOT's boarding rule issued in

[9] *Americans with Disabilities Act: Leadership Needed to Help Ensure That Stations Served By Amtrak Are Compliant* (Report No. 109–2010, September 29, 2011).
[10] Amtrak, *Intercity Rail Stations Served by Amtrak: An Update on Accessibility and Compliance with the Americans With Disabilities Act of 1990*, August 2011.
[11] Amtrak, *Update to Congress on Amtrak Accessible Stations Development Program*, August 7, 2012.

September 2011.[12] These changes will expand the necessary scope of work at many stations. As a result, implementing the compliance requirements will take longer and cost more to complete than initially proposed. The extent to which the rule will lengthen the program and increase its costs is unclear. According to Amtrak, further refinements to the corporation's evaluations of the compliance requirements of ADA are likely. We are conducting a follow-up audit of the issues identified in the 2011 report.

RECOMMENDATION

To complete the efforts to improve financial reporting based on Section 204, we recommend that the President and Chief Executive Officer direct the departments responsible for developing annual five-year financial plans to fully address the 16 information categories required by PRIIA, including

- expenditure forecasts for non-passenger operations
- projected capital and operating requirements, ridership, and revenue for any new passenger service operations or service expansions—the new Richmond/Norfolk segment
- assessments of the corporation's ability to efficiently recruit, retain, and manage its workforce
- annual cash flow forecasts

[12] See 76 FR 57924 (September 19, 2011). In summary, the regulations provide: "The Department is amending its Americans with Disabilities Act (ADA) regulations to require intercity, commuter, and high-speed passenger railroads to ensure, at new and altered station platforms, that passengers with disabilities can get on and off any accessible car of the train. Passenger railroads must provide level-entry boarding at new or altered stations in which no track passing through the station and adjacent to platforms is shared with existing freight rail operations. For new or altered stations in which track passing through the station and adjacent to platforms is shared with existing freight rail operations, passenger railroads will be able to choose among a variety of means to meet a performance standard to ensure that passengers with disabilities can access each accessible train car that other passengers can board at the station."

- projected operating ratio, cash operating loss, and cash operating loss per passenger on a route, business line, and corporate basis
- prior fiscal year and projected specific costs and savings estimates resulting from reform initiatives
- projected labor productivity statistics on a route, business line, and corporate basis
- prior fiscal year and projected equipment reliability statistics

MATTERS FOR CONGRESSIONAL CONSIDERATION

Since Congress is in the process of developing new passenger rail authorization legislation, it may want to consider the following actions given the potential to generate savings and improve Amtrak's performance and service quality:

- reauthorizing the Secretary of the Treasury, in consultation with the Secretary of Transportation and Amtrak, to enter into negotiations with the holders of Amtrak debt, including leases, for the purpose of restructuring and repaying that debt
- authorizing FRA, in consultation with the Surface Transportation Board, Amtrak, rail carriers over whose rail lines Amtrak trains operate, states, Amtrak employees, nonprofit employee organizations representing Amtrak employees, and groups representing passengers, to develop new or improve existing metrics and minimum standards for measuring the performance and service quality of intercity passenger train operations
- reauthorizing the reporting requirements for three key long-term programs—the Northeast Corridor state of good repair, the Northeast Corridor infrastructure and operations improvements, and the ADA compliance requirements at intercity rail stations

MANAGEMENT COMMENTS AND OIG ANALYSIS

In commenting on a draft of our report, the President and Chief Executive Officer agreed with our recommendation to fully address the 16 information categories required under section 204 of PRIIA and stated that it would ensure that the corporation's next annual five-year financial plan would include the required information. He also agreed that the three areas we identified as matters for congressional consideration would have a positive impact on the corporation's ability to improve service and stated that the actions like those described would impact the corporation's financial bottom line and customer satisfaction, which are pillars in its strategic vision.

For a copy of Amtrak's comments, see Appendix III. Management also provided technical comments, which we addressed as appropriate in this report.

Appendix I

SCOPE AND METHODOLOGY

This report provides the results of our audit to examine (1) the corporation's progress implementing Amtrak-assigned PRIIA provisions by comparing the provision's requirements to the progress it has made to address them, and (2) the areas that present opportunities for savings and improved performance and service quality. We issued our first audit report on these areas in October 2011,[13] and this report provides the results of our second audit. We conducted this audit work from April through November 2013 in Washington D.C. and Philadelphia, Pennsylvania.

To determine the status of Amtrak actions to implement individual provisions, we (1) compared the corporation's deliverables and responses with the Act's requirements, deadlines, and suggestions; and (2) discussed our observations with responsible officials across most departments within the corporation, including Finance, Operations, Northeast Corridor Infrastructure and Investment Development, Transportation, Engineering, Policy and Development, Marketing, General Counsel, and Government Affairs and Corporate Communications. During these discussions, we did the following:

- validated instances in which Amtrak had not fully addressed PRIIA provisions
- identified the reasons why the corporation missed a deadline or only partially addressed a requirement
- resolved any uncertainties and outstanding questions

To evaluate areas that present opportunities for savings and improved performance and service quality, we reviewed the corporation's actions to implement five provisions:

- Section 205, *Restructuring Long-Term Debt and Capital Leases*
- Section 207, *Metrics and Standards*
- Section 211, *Northeast Corridor State of Good Repair Plan*
- Section 212, *Northeast Corridor Infrastructure and Operations Improvements*
- Section 219, *Study of Compliance Requirements at Existing Intercity Rail Stations*

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[13] *Passenger Rail Investment and Improvement Act of 2008: Amtrak Has Made Good Progress, but Continued Commitment Needed to Fully Address Provisions* (Report No. OIG-A-2012-001, October 26, 2011).

We judgmentally selected these provisions because they present opportunities for savings and improved performance and service quality that warrant consideration in future authorization legislation. To help us determine which PRIIA provisions to select for more detailed review, we relied on DOT OIG audit reports and our prior work.

For Section 205, *Restructuring Long-Term Debt and Capital Leases*, our methodology included determining the status of the 52 leases Amtrak identified to Treasury for potential early buyout from FY 2010 through 2019. We reviewed information on the 13 leases from FY 2011 through FY 2013 selected by Treasury for early buyout. For the remaining 39 leases, Amtrak provided information showing that it bought out 6 leases, leaving 33 eligible for early buyouts from FY 2014 through FY 2019. We analyzed the lease data the corporation provided to Treasury for these 33 leases, but were not selected for debt reduction. From these data, we identified the following for each lease:

- *maturity value*—the amount paid if the lease goes to maturity
- *buyout amount*—the amount needed to pay off the lease early
- *savings from paying off the lease early*—the difference between the maturity value and buyout amount

In addition, we evaluated the corporation's present-value savings calculations made using Treasury's methodology. Also, because the authorization for this section expired two years (October 16, 2010) after the date of PRIIA enactment, we solicited responses from the Acting Chief Financial Officer, Treasurer, and Senior Director of Corporate Finance on the options the corporation is considering to further reduce debt and realize savings. We did not, however, review or validate the business case used to support the leased equipment proposed acquisition.

For Section 207, *Metrics and Standards*, our methodology included reviewing the ruling of the U.S. Court of Appeals for the D.C. Circuit that the metrics and standards developed and promulgated jointly by the corporation and FRA under this provision are not enforceable.[14] We also discussed with the Managing Deputy General Counsel

[14] The Association of American Railroads had brought a lawsuit against DOT, the Secretary of Transportation, FRA, and the FRA Administrator that challenged the constitutionality of PRIIA Section 207, arguing that the requirements unlawfully delegate regulatory power to a private institution (Amtrak).

the effects of the ruling and options to address the potential impacts of the ruling on operations.

For Section 211, *Northeast Corridor State of Good Repair Plan*; Section 212, *Northeast Corridor Infrastructure and Operations Improvements*; and Section 219, *Study of Compliance Requirements at Existing Intercity Rail Stations,* our methodology included discussing the status of the programs authorized by each provision with officials of the Government Affairs and Corporate Communications office and of the Northeast Corridor Infrastructure and Investment Development office. We also reviewed and discussed with appropriate management officials the reporting requirements for each and how reauthorization measures could help ensure improvements in the affected programs.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Internal Controls

In conducting this audit, we reviewed the corporation’s internal controls related to the implementation of PRIIA by comparing its deliverables and responses with the Act’s requirements, deadlines, and suggestions. Specifically, we identified and assessed internal or management controls, including procedures for monitoring and tracking the corporation’s compliance with PRIIA provisions.

Computer-Processed Data

Several of the corporation’s deliverables and responses to the Act’s requirements are based on computer-processed budget, expenditure, and performance data. We did not validate the budget and financial data, but relied on the general and application review of financial systems performance that is a part of the financial statement audit performed by the corporation’s external auditors. We did not validate the performance data, but relied on our prior audits of on-time performance invoices, which found that performance data were generally accurate and reliable when compared with source documents. We found sufficient assurance that we could rely on the computer-processed data to accomplish our audit objectives. Given the focus of our work and the steps we took to verify the reliability of the computer-generated data used in our work, we concluded that the data are sufficiently reliable for the purposes of our objectives.

Prior Coverage

In conducting our analysis of issues, we reviewed and used information from the following audit reports:

- *Food and Beverage Service: Potential Opportunities to Reduce Losses*, Amtrak OIG (Report No. OIG-A-2014-001, October 31, 2013)

- *Annual Report on Amtrak's Budget and 5-Year Financial Plan*, DOT OIG (July 25, 2013)

- *Audit of Grant Agreement: Next Generation Equipment Committee Materially Complied with Terms of the Grant Agreement*, Amtrak OIG (Report No. OIG-A-2013-012, March 27, 2013)

- *Amtrak's New Cost Accounting System Is a Significant Improvement But Concerns Over Precision and Long Term Viability Remain*, DOT OIG (March 27, 2013)

- *Annual Financial Statement Audits: Observations for Improving Oversight of the Independent Public Accountant*, Amtrak OIG (Report No. OIG-A-2012-017, September 27, 2012)

- *American Recovery and Reinvestment Act: Some Questioned Invoice Charges and Minimal Benefit from Duplicative Invoice-Review Process*, Amtrak OIG (Report No. OIG-A-2012-021, September 21, 2012)

- *Food and Beverage Service: Initiatives to Help Reduce Direct Operating Losses Can Be Enhanced by Overall Plan*, Amtrak OIG (Report No. OIG-A-2012-020, September 7, 2012)

- *Analysis of the Causes of Amtrak Train Delays*, DOT OIG (July 10, 2012)

- *Passenger Rail Investment and Improvement Act of 2008: Amtrak Has Made Good Progress, but Continued Commitment Needed to Fully Address Provisions*, Amtrak OIG (Report No. OIG-A-2012-001, October 26, 2011)

- *Americans with Disabilities Act: Leadership Needed to Help Ensure That Stations Served by Amtrak Are Compliant*, Amtrak OIG (Report No. 109-210, September 29, 2011)

- *Progress and Opportunities in Amtrak's Implementation of the Passenger Rail Investment and Improvement Act of 2008*. Statement of Ted Alves, Inspector General, National Railroad Passenger Corporation, before the Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security, Committee on Commerce, Science, and Transportation, United States Senate, September 14, 2011.

- *Food and Beverage Service: Further Actions Needed to Address Revenue Losses Due to Control Weaknesses and Gaps*, Amtrak OIG (Report No. E-11-03, June 23, 2011)

Appendix II

AMTRAK HAS MADE GOOD PROGRESS ADDRESSING PRIIA

This appendix discusses Amtrak's actions to address the 29 PRIIA provisions assigned to it. The corporation has addressed 24 provisions, continues to address 2 provisions, and has not reacted to 3 provisions because the events that trigger the response have not yet occurred.

The Corporation Has Addressed 24 Provisions

The requirements specified in the 24 provisions that the corporation has addressed range from such diverse topics as establishing an improved financial accounting system to producing technical specifications for the next generation of train equipment. The actions the corporation took to address these provisions are summarized in Table 3.

Table 3. Amtrak Has Addressed 24 Provisions

PRIIA Section	Title	Requirement	Action
202	***Amtrak Board of Directors***	PRIIA revised the composition of the corporation's Board of Directors to establish a nine-member board. No later than 60 days after the end of each fiscal year, the Board must report all travel and reimbursable business travel expenses for each member to specific congressional committees.	The corporation has reported the required annual travel and reimbursable business travel expenses for each Board member to specific congressional committees.
203	***Establishment of Improved Financial Accounting System***	Amtrak must implement a modern financial accounting and reporting system within three years of PRIIA's enactment. No later than 90 days after the end of each fiscal year through FY 2013, Amtrak must issue a comprehensive report that allocates all of its revenues and costs to each route, line of business, and major activity within each route and line of business activity.	The corporation's new financial accounting and reporting system became fully operational in May 2012, according to the Acting Chief Financial Officer. In March 2013, DOT OIG reported that the new cost accounting system allows the corporation to capture and report its financial performance by route, business line, and major activity—as required by PRIIA. It also reported some concerns related to timeliness and precision of reports. It also reported that the avoidable cost methodology FRA developed to determine the cost savings from an Amtrak route's

PRIIA Section	Title	Requirement	Action
			termination has limitations that would substantially reduce the value of the saving estimates. The OIG made four recommendations to FRA to improve Amtrak's financial performance reporting, including to evaluate alternatives for calculating avoidable costs. The corporation reports its revenues and costs on each of its routes, lines of business, and each major activity within each route in its annual five-year financial plan.
205	***Restructuring Long-Term Debt and Capital Leases***	The Secretary of the Treasury, in consultation with the Secretary of Transportation and the corporation, may make agreements to restructure the corporation's indebtedness. This authorization expired two years after PRIIA enactment. The corporation may not incur more debt after PRIIA enactment without the Secretary of Transportation's approval.	Amtrak and the Secretaries of the Treasury and Transportation signed an agreement to exercise early buyout options on 13 leases using Treasury funds—saving the corporation and the federal government approximately $173 million ($115 million in present-value dollars). Thirty-three additional leases have buyout options from FY 2014 through FY 2019; however, the authorization for this section expired two years (October 16, 2010) after PRIIA enactment. The corporation is exploring other options to finance the additional buyout opportunities. It has not incurred additional debt without prior approval from the Secretary of Transportation.
206	***Establishment of Grant Process***	The Secretary of Transportation has primary responsibility for the establishment of procedures for grant requests. The corporation is responsible for submitting grant requests consistent with the grant process to the Secretary of Transportation.	The corporation has complied with the newly established grant application process.
207	***Metrics and Standards***	Within 180 days after PRIIA's enactment, Amtrak and FRA—in consultation with the Surface Transportation Board, host railroads, states, the corporation's labor organizations, and rail passenger associations—must develop metrics and minimum standards for measuring the performance and service quality of intercity passenger train service. The metrics and standards must include	The FRA issued the required metrics and standards, effective May 12, 2010. On July 2, 2013, the U.S. Court of Appeals for the D.C. Circuit ruled that the metrics and standards developed under Section 207 were not enforceable. The practical effects of this decision are to invalidate the metrics and standards, and eliminate FRA's authority to

PRIIA Section	Title	Requirement	Action
		cost-recovery, on-time performance, ridership per train mile, onboard and station services, and the connectivity of routes. The section also requires Amtrak to incorporate these metrics and standards into its operating agreements with host railroads to the extent practicable. The corporation must provide reasonable access to FRA in order to enable it to carry out its duties under this provision, which include collecting the necessary data and publishing a quarterly report on the performance and service quality of intercity passenger train operations.	unilaterally reissue the metrics and standards without new authorizing legislation. The government requested that the court of appeals rehear this matter, before all of the appellate judges of the court. The court rejected the government's petition for rehearing.
209	***State-Supported Routes***	Within two years after PRIIA's enactment, the corporation—in consultation with DOT, relevant state governors, and Washington D.C. mayor—must develop and implement a nationwide standardized methodology for establishing and allocating operating and capital costs of intercity rail passenger service with affected states. The methodology must (1) ensure, within five years after PRIIA's enactment, equal treatment in the provision of like services of all states and groups of states, including Washington D.C.; and (2) allocate to each route the costs incurred only for that route and a proportionate share of costs incurred for the common benefit of more than one route.	The corporation worked with its state partners to develop a standardized cost-sharing methodology, and the Surface Transportation Board approved the methodology for implementation in March 2012. All affected states have signed a service agreement with the corporation to use the approved cost-sharing methodology.
210	***Long-Distance Routes***	Amtrak is required to annually evaluate and rank its long-distance routes according to their overall performance by the top-performing third of such routes, the second-best-performing third, and the worst-performing third. It must then develop and post on its website performance-improvement plans for its long-distance passenger routes and begin implementing those plans for the worst-performing routes in FY 2010, the second-best-performing routes in FY 2011, and the best-performing routes in FY 2012. The plans must address nine categories of information, including on-	The corporation completed the ranking of all of its 15 long-distance routes based on their performance during FY 2008 and issued plans for all 15 routes—the first five in September 2010, the second five in September 2011, and the final five in September 2012. Each of the plans addressed the required nine information categories.

PRIIA Section	Title	Requirement	Action
		time performance, the feasibility of restructuring service into connected corridor service, performance-related equipment changes and capital improvements, onboard amenities and service, and financial performance.	
211	***Northeast Corridor State-of-Good-Repair Plan***	Within six months of PRIIA's enactment, Amtrak—in consultation with the Secretary of Transportation, Washington D.C., and the states that make up the Northeast Corridor—must prepare a capital spending plan for projects required to return the Northeast Corridor main line to a state of good repair by the end of FY 2018. The spending plan must be consistent with the funding levels authorized by PRIIA. Also, the corporation must update the plan at least annually.	The corporation issued the required spending plan in April 2009 and has provided updates as part of its five-year plans for FYs 2012–2016 and FYs 2013–2017.
213	***Passenger Train Performance***	The Surface Transportation Board may initiate an investigation if the on-time performance of any intercity passenger train averages less than 80 percent for any two consecutive calendar quarters, or if the service quality of intercity passenger train operations fails to meet the minimum standards established under Section 207 for two consecutive calendar quarters. The Board is required to initiate an investigation upon the filing of a complaint by the corporation, an intercity passenger rail operator, a host railroad, or an entity for which the corporation operates intercity passenger rail service. The purpose of the investigation is to determine whether and to what extent delays or failure to achieve minimum standards are due to causes that could reasonably be addressed by the host railroad. The Board is also authorized to investigate whether delays or failures to achieve minimum standards are attributable to a host railroad's failure to provide preference, a statutory right that affords the corporation preference over freight transportation in using a rail line, junction, or crossing. The Board can award damages if it finds that the corporation's preference	The corporation hired additional employees to track on-time performance. Also, it developed a process to determine if and when to request an investigation by the Surface Transportation Board. The corporation presented a case to the Board against a freight railroad because it caused delays of passenger trains. Amtrak, the freight railroad, and the Board went to mediation and the parties agreed, per the freight railroad's suggestion, that they postpone the proceedings while the freight railroad proves it can operate within the 80 percent minimum standard.

PRIIA Section	Title	Requirement	Action
		rights are violated.	
216	***Special Passenger Trains***	The corporation is encouraged to increase the operation of special trains funded by, or in partnership with, private sector operators through competitive contracting to minimize the need for federal subsidies.	In August 2013, the corporation announced that the Autumn Express special train will operate through scenic and historical sites in Delaware, Maryland, and Pennsylvania in November. Due to overwhelming ticket sales, in September Amtrak added a second Autumn Express train to its November schedule. The Vice President of Operations stated that it was a unique venture for the corporation to test as a potential new source of revenue.
218	***General Amtrak Provisions***	The corporation may obtain services from the General Services Administration.	According to the Acting Chief Finance Officer, the corporation continues to work with the General Services Administration to use its vehicle and travel programs. No General Services Administration programs have been added since our prior PRIIA audit report in October 2011.
219	***Study of ADA Compliance Requirements at Existing Intercity Rail Stations***	In consultation with station owners and other railroads, the corporation must evaluate the improvements necessary to ensure that the stations it serves are accessible to and usable by individuals with disabilities, in compliance with ADA. The evaluation shall include a detailed plan and schedule for bringing all applicable stations into compliance by the Act's 2010 statutory deadline. The corporation must issue the evaluation by February 1, 2009, along with recommendations for funding the necessary improvements.	The corporation reported to Congress on its progress to comply with the Act in February 2009, and updated it in October 2010, August 2011, May 2012, August 2012, December 2012, and October 2013. Status reports were provided to Congress, although this was not required by PRIIA. The corporation reported that additional, substantial changes would be required at numerous stations because of the DOT level-boarding rule issued in September 2011. These changes will expand the necessary scope of work at many stations. As a result, implementing the Accessible Stations Development Plan will take longer and cost more to complete than initially proposed. The extent to which the rule will lengthen the program and increase its costs is still unclear.
222	***Onboard Service Improvements***	Within one year after the performance metrics and standards are established under Section 207, Amtrak must develop and implement a plan to	The corporation issued its *Amtrak On-Board Service Improvement Plan* to Congress on July 15, 2011, and begun implementation through

PRIIA Section	Title	Requirement	Action
		improve on-board service pursuant to the metrics and standards. The corporation must provide a report to specific congressional committees on the improvements in the plan and the timeline for implementing such improvements. The Act did not specify an issue date for the report.	initiatives to improve training and supervision of staff and change processes, procedures, and technologies to improve customer satisfaction.
223	***Incentive Pay***	The Board of Directors is encouraged to develop an incentive pay program for Amtrak management employees.	In November 2012, the Board of Directors approved a Total Rewards and Integrated Talent Management Strategy, which includes an incentive pay program. According to Amtrak, the program is modeled after industry best practices, including an integrated talent management program, short-term incentive plan, performance-based pay, health and wellness, and voluntary benefits, such as identity theft insurance and pet insurance.
224	***Passenger Rail Service Studies***	Within one year after PRIIA's enactment, the corporation must conduct studies of six prior and current routes to determine whether to reinstate passenger rail service or a station stop, expand service, or reduce ticket prices.	In October 2009, the corporation issued studies of six prior and current routes to determine whether to reinstate passenger rail service or a station stop, expand service, or reduce ticket prices.
226	***Plan for Restoration of Service***	Within nine months of PRIIA's enactment, the corporation must transmit to specific congressional committees a plan for restoring passenger rail service between New Orleans and Sanford, Florida. The plan must include an estimated timeline for restoring service, the associated costs, and any proposals for necessary legislation. The corporation must consult with representatives from selected states, railroad carriers, rail passengers, rail labor, and other entities as appropriate.	On July 16, 2009, the corporation issued the required plan, but has not taken any further action to restore passenger train service to the route.
301	***Capital Assistance for Intercity Passenger Rail Service***	The corporation may enter into a cooperative agreement with one or more states to participate in the Secretary of Transportation's grants to implement one or more ranked capital projects in states' rail plans.	Although the corporation did not enter into cooperative agreements with states, it provided advice and assistance to states in their efforts to obtain capital assistance and grants for intercity passenger rail service.
302	***Congestion Grants***	In cooperation with states, the corporation may participate in the	Although the corporation did not participate, it provided advice and

PRIIA Section	Title	Requirement	Action
		Secretary of Transportation's grants to states to finance the capital costs of facilities, infrastructure, and equipment needed to reduce congestion or facilitate ridership growth.	assistance to states in their efforts to obtain congestion grants.
304	***Tunnel Project***	Working with Amtrak; the Surface Transportation Board; Baltimore, Maryland; and rail operators, FRA must select and approve a new rail tunnel alignment in Baltimore no later than September 30, 2013. The new alignment should permit an increase in train speed and service reliability, and ensure completion of the environmental review process.	Amtrak selected and obtained initial approval from the stakeholders on a new rail tunnel alignment in Baltimore. In April 2011, FRA and Maryland executed a grant agreement to obligate $60 million for the completion of the preliminary engineering and environmental reviews for the tunnel project. The corporation awarded a contract for the preliminary engineering study on November 1, 2013. The Senior Contracting Officer, Procurement and Materials Management, and the Project Director expect to award the contract for the environmental study in early 2014.
305	***Next-Generation Corridor Train Equipment Pool***	Within 180 days after PRIIA's enactment, the corporation must establish a Next-Generation Corridor Equipment Pool Committee—with representatives from Amtrak, FRA, host freight railroads, passenger railroad equipment manufacturers, interested states, and other passenger rail operators. The committee is to design, develop specifications for, and procure standardized next-generation corridor equipment.	The corporation established the Next-Generation Corridor Equipment Pool Committee and produced the technical specifications for the next-generation train equipment, including the approved specifications for bi-level cars.
306	***Rail Cooperative Research Program***	The Secretary of Transportation must establish and carry out a rail cooperative research program. Amtrak representatives are required to be members of the advisory board for the program.	The corporation appointed its Chief Engineer to the advisory board for the program, which was funded only in 2012.
402	***Routing Efficiency Discussions with Amtrak***	Amtrak, commuter rail entities, regional and state public transportation authorities, and freight railroads are encouraged to engage in discussions on routing and timing of trains to improve performance.	The corporation meets with freight railroads and commuter rail entities on an ongoing basis to develop feasible train schedules to satisfy all users' requirements.
406	***Cross-Border Passenger Rail Service***	No later than one year after PRIIA's enactment, Amtrak—in consultation with the Secretary of Transportation, the Secretary of Homeland Security,	The corporation issued the required plan in October 2009.

PRIIA Section	Title	Requirement	Action
		the Washington State Department of Transportation, and relevant owners—must develop a strategic plan to facilitate expanded passenger rail service across the U.S.-Canada border during the 2010 Olympics.	
501	***High-Speed Rail Corridor Program***	The Secretary of Transportation is authorized to establish and implement a high-speed rail corridor development program. Eligible applicants include a state or Washington D.C., a group of states, an interstate compact, a public agency established by one or more states, and Amtrak. Eligible corridors include the high-speed-rail corridors designated by the Secretary of Transportation. These funds are to be used for acquiring, constructing, and improving rail structures and equipment.	DOT awarded the corporation nearly $450 million to upgrade support systems and tracks between stops in Pennsylvania and New Jersey—known as the New Jersey High Speed Rail Improvement Project. Of the approximately $450 million granted for this project, the corporation has spent more than $20 million, has more than $34 million in open purchase orders, and has about $33 million in open purchase requests as of June 2013. Amtrak's Senior Project Controls Analyst, New Jersey High Speed Rail Improvement Project, expects the project to take five years.

Source: OIG analysis of Amtrak data.

Amtrak Is in the Process of Addressing Two Provisions

The corporation is in the process of fully addressing the requirements specified in two provisions. These provisions are:

1. The corporation's five-year financial plan for FY 2013 through FY 2017 does not fully address eight of the 16 categories of information required by Section 204, *Development of Five-Year Financial Plan*. This section requires the corporation to address at least 16 categories of information, including projected revenues and expenditures, projected ridership, estimates of long-term and short-term debt, labor productivity statistics, and anticipated security needs. The corporation has issued all of the required annual five-year financial plans. However, based on our analysis, the five-year financial plan for FY 2013 through FY 2017 did not fully address:

    - expenditure forecasts for non-passenger operations

- projected capital and operating requirements, ridership, and revenue for any new passenger service operations or service expansions—the new Richmond/Norfolk segment
- assessments of the corporation's ability to efficiently recruit, retain, and manage its workforce
- annual cash flow forecasts
- projected operating ratio, cash operating loss, and cash operating loss per passenger on a route, business line, and corporate basis
- prior fiscal year and projected specific costs and savings estimates resulting from reform initiatives
- projected labor productivity statistics on a route, business line, and corporate basis
- prior fiscal year and projected equipment reliability statistics

2. The corporation is a member of the Northeast Corridor Infrastructure and Operations Advisory Commission, which continues to develop a formula for allocating costs, revenues, and compensation required by Section 212, *Northeast Corridor Infrastructure and Operations Improvements*. Within 2 years of PRIIA enactment, the Commission is to develop a standardized formula for determining and allocating costs, revenues, and compensation for Northeast Corridor commuter rail passenger transportation on the main line between Boston, Massachusetts, and Washington D.C., and also on the branch lines connecting to Harrisburg, Pennsylvania; Springfield, Massachusetts; and Spuyten Duyvil, New York. This section also requires Amtrak and public authorities providing commuter rail passenger transportation on the Northeast Corridor to implement new agreements for usage of facilities or services based on this standardized formula. Further, if the entities fail to implement such new agreements in accordance with the timetable, the Commission shall petition the Surface Transportation Board to determine the appropriate compensation amounts for such services. The Vice President for Operations estimates that the development of the methodology will be completed in the summer of 2014, and implemented in October 2014.

For Three Provisions, Amtrak Is Not Yet Required to Act

The corporation has not been required to react to three provisions because the events that trigger a response have not yet occurred:

- Because FRA 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 the corporation to respond has not occurred.

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

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

Appendix III

COMMENTS FROM AMTRAK'S MANAGEMENT

NATIONAL RAILROAD PASSENGER CORPORATION
60 Massachusetts Avenue, NE, Washington, DC 20002
tel (202) 906-3960, fax (202) 906-2850

Memo

AMTRAK

Date December 18, 2013
To Ted Alves
Inspector General

From Joseph H. Boardman
Department President and Chief Executive Officer
Subject *Passenger Rail Investment and Improvement Act of 2008: Accomplishments and Requirements that Deserve Consideration for Future Authorizing Legislation* (Draft Report No. 009-2013)
cc DJ Stadtler
Eleanor Acheson
Joseph McHugh
Stephen Gardner
Matthew Hardison
Alex Melnkovic
Jason Molfetas
Mark Yachmetz
William Herrmann
Jerry Sokol
Dan Black
Peggy Reid
Matthew Gagnon
Melantha Paige

Message This is in response to your Draft Report No. 009-2013 dated November 6, 2013, entitled *Passenger Rail Investment and Improvement Act of 2008:Accomplishments and Requirements that Deserve Consideration for Future Authorizing Legislation*. We have reviewed the report, and are thankful for the detailed and comprehensive work you have done, as well as for recognizing the significant work we have done in complying with PRIIA.

With regard to your section "Matters for Congressional Consideration," we agree with your assessment that legislation/authorization in those three areas would have significant positive impact on Amtrak's ability to improve our service. Actions like those you describe would impact our financial bottom line as well as our customer satisfaction – two of the three pillars in our strategic vision.

Our Response to your recommendation follows:

OIG Recommendation
To complete the efforts to improve financial reporting based on section 204, we recommend that the President and Chief Executive Office direct the departments responsible for developing annual five-year financial plans to fully address the 16 information categories required by PRIIA, including:

a) Expenditure forecasts for non-passenger operations;
b) Projected capital and operating requirements, ridership, and revenue for any new passenger service operations or service expansions, such as the new Richmond / Norfolk segment;
c) Assessments of the corporation's ability to efficiently recruit, retain, and manage its workforce;
d) Annual cash flow forecasts;
e) Projected operating ratio, cash operating loss, and cash operating loss per passenger on a route, business line, and corporate basis;
f) Prior fiscal year projected specific costs and savings estimates resulting from reform initiatives;
g) Projected labor productivity statistics on a route, business line, and corporate basis;
h) Prior fiscal year and projected equipment reliability statistics.

Management Response

Management agrees with the recommendation. As noted in your report, our five year plan has evolved since we first began preparing it, shortly after PRIIA was enacted. In our next version, due to be published after we receive an FY 2014 appropriation, we will ensure that the information listed above is included.

Appendix IV

ABBREVIATIONS

ADA	Americans with Disabilities Act of 1990, as amended
DOT	Department of Transportation
FRA	Federal Railroad Administration
FY	fiscal year
OIG	Office of Inspector General
PRIIA	Passenger Rail Investment and Improvement Act of 2008
Treasury	Department of the Treasury

Appendix V

OIG TEAM MEMBERS

David R. Warren	Assistant Inspector General, Audits
Mark A. Little	Senior Director
Al Murray	Auditor-in-Charge
Joseph Zammarella	Audit Manager
Courtney Catanzarite	Auditor
Dottie James	Consultant
Roy Judy	Consultant

OIG MISSION AND CONTACT INFORMATION

Amtrak OIG's Mission	The Amtrak OIG's mission is to provide independent, objective oversight of Amtrak's programs and operations through audits, inspections, evaluations, and investigations focused on recommending improvements to Amtrak's economy, efficiency, and effectiveness; preventing and detecting fraud, waste, and abuse; and providing Congress, Amtrak management, and Amtrak's Board of Directors with timely information about problems and deficiencies relating to Amtrak's programs and operations.
Obtaining Copies of OIG Reports and Testimony	Available at our website: www.amtrakoig.gov
To Report Fraud, Waste, and Abuse	Report suspicious or illegal activities to the OIG Hotline (you can remain anonymous): Web: www.amtrakoig.gov/hotline Phone: (800) 468-5469
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