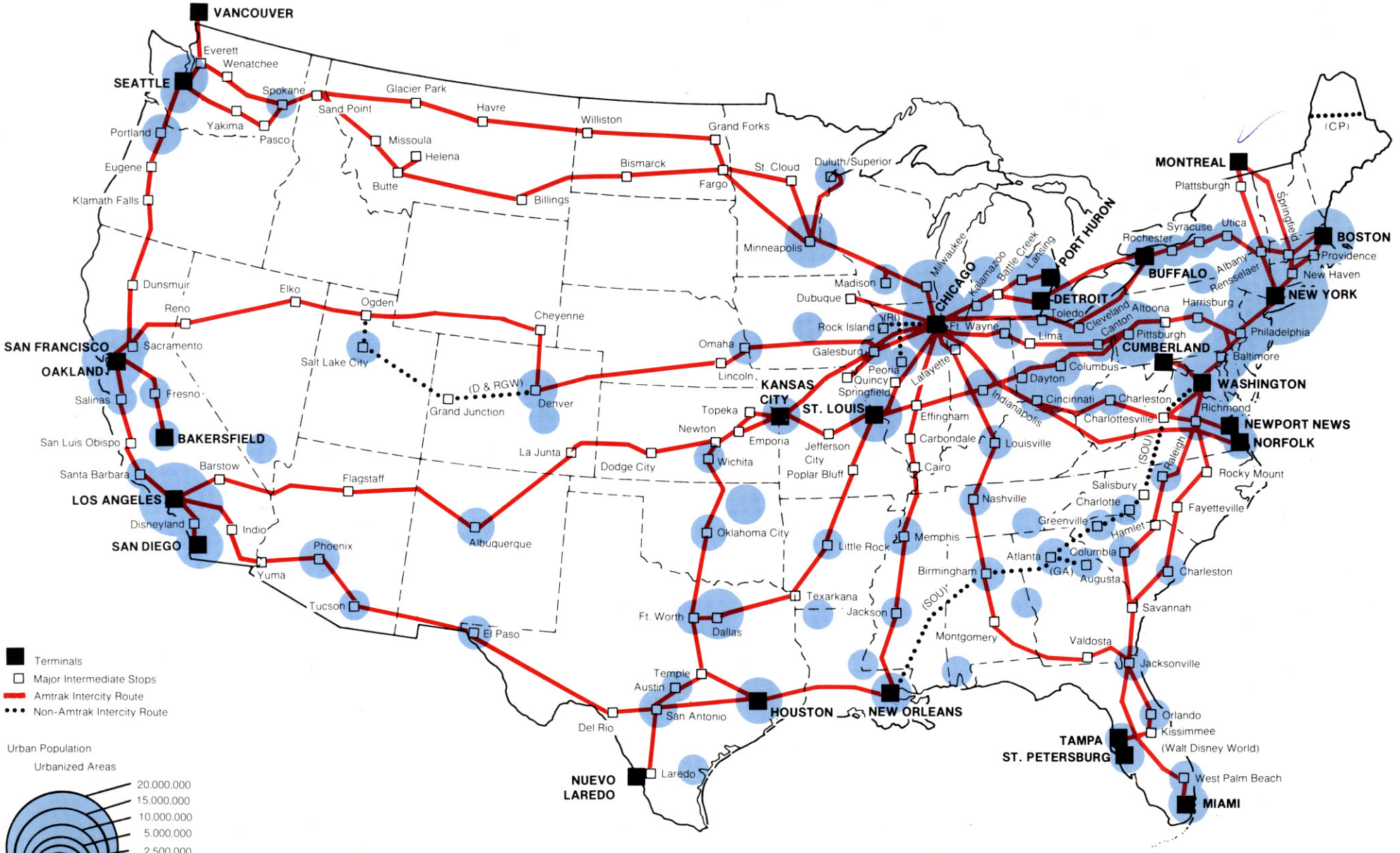
1975 Annual Report National Railroad Passenger Corporation

Amtrak

INTERCITY RAIL PASSENGER ROUTES

National Railroad Passenger Corporation



December 31, 1975

1975 AMTRAK ANNUAL REPORT

Revitalizing American Rail Passenger Service

Submitted on February 14, 1976, to the President of the United States, the President of the Senate, and the Speaker of the House of Representatives, pursuant to Sections 308 and 805 of the Rail Passenger Service Act, Public Law 91-518, as amended by the Amtrak Improvement Act of 1975 Public Law 94-25

BOARD OF DIRECTORS

Donald P. Jacobs, Chairman
Mary Head, Vice-Chairman
Frank S. Besson, Jr.
William T. Coleman, Jr., Secretary of Transportation *(ex officio)*
John W. Barnum, Deputy Secretary of Transportation (alternate)
Robert W. Downing
Robert G. Dunlop
Jervis Langdon, Jr.
Charles Luna
Joseph V. MacDonald
Gerald D. Morgan
William J. Quinn
Edward Ullman

Audit Committee

Robert W. Downing, Chairman
Robert G. Dunlop
Gerald D. Morgan

Finance Committee

Robert G. Dunlop, Chairman
Mary Head
John W. Barnum

Planning Committee

Gerald D. Morgan, Chairman
John W. Barnum
Robert W. Downing
Edward L. Ullman

Retirement Planning and Investment

Mary Head
Robert G. Dunlop

Organization and Compensation Committee

William J. Quinn, Chairman
Donald P. Jacobs
Charles Luna

Equipment Committee

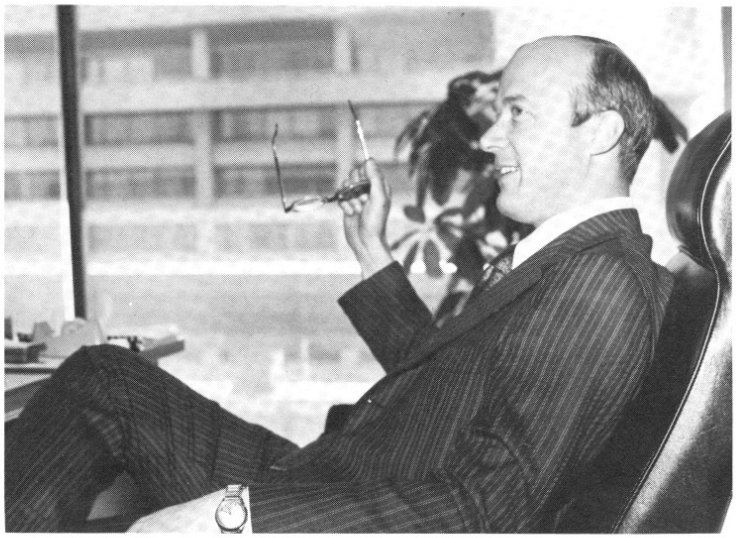
Frank Besson, Chairman
Joseph V. MacDonald
Jervis Langdon, Jr.

CORPORATE OFFICERS

Paul H. Reistrup . . . . . *President*
Calvin B. Andringa . . . . . *Vice-President*
Don R. Brazier . . . . . *Vice-President Finance/Treasurer*
James Cowell . . . . . *Vice-President Procurement and Material Control*
Edwin E. Edel . . . . . *Vice-President Public Affairs*
Nathaniel H. Goodrich . . . . . *Vice-President General Counsel*
Harold L. Graham . . . . . *Vice-President Services Program Development*
Kenneth A. Housman . . . . . *Vice-President Personnel and Administration*
F. S. King, Sr. . . . . *Vice-President Corporate Operations*
Alfred A. Michaud . . . . . *Vice-President Marketing*
Bruce Pike . . . . . *Vice-President Government Affairs*
David A. Watts . . . . . *Vice-President and General Manager Line Operations*
Melvin H. Baker . . . . . *Controller*
Elyse Wander . . . . . *Secretary*

REGIONAL VICE-PRESIDENTS

Joe G. Matthews . . . . . *Southern Region*
Neal D. Owen . . . . . *Western Region*
John S. Piet . . . . . *Eastern Region*
C. James Taylor . . . . . *Central Region*



Paul H. Reistrup

PRESIDENT'S LETTER

I am pleased to report that 1975 has marked substantial progress in modernizing and improving the national railroad passenger system operated by Amtrak.

During the ten months of 1975 that I have served as Amtrak's President, I have traveled over 20,000 miles of our rail routes. I have witnessed the on-line operations and services provided, and talked with our operational personnel, railroad executives and travelers across the nationwide system. Summarizing my travels, I have found a deep commitment on the part of Amtrak personnel to provide reliable and courteous service. In talking with the public throughout our country, I have sensed that the expectations for a modern railroad passenger system remain high.

In 1975, our modernization efforts continued to advance and gather additional momentum. Equipment production lines remained in full swing. By December the Budd Company turned out Amfleet cars at a rate of one per working day. Projected deliveries of additional long-distance bi-level cars for 1977 continue on target. We placed into service 4 Turboliners, 6 electric and 16 diesel-electric locomotives and 115 new Amfleet passenger cars. With few exceptions, this new equipment is performing well. At year-end, equipment on order included 235 bi-level cars, 377 Amfleet cars, 18 electric and 30 diesel-electric locomotives, and 7 Turboliners.

It became clear during my travel that there is much to be done. Amtrak had less than 12 per cent of the equipment required for a normal day's operation that was newer than 1950. Operating Amtrak trains over some railroad property without major track improvement continued to present significant operational problems. In addition, breakdowns and service discomforts occurred although at a lower rate than in previous years.

Anxiously I look forward to the prospects of improved Northeast corridor operations, better control of maintenance, commissary and station facilities, and delivery of additional new equipment. While the revitalization of American rail passenger service will take several more years, I remain confident that important progress was made toward full achievement of legislative goals established for Amtrak in 1975.

In terms of the long history of railroads in America, Amtrak is but a child. It is truly a novel experiment in government-business relations with few precedents to follow. Amtrak is dedicated to make this relationship succeed.

Respectfully,

Paul H. Reistrup

MARKETING

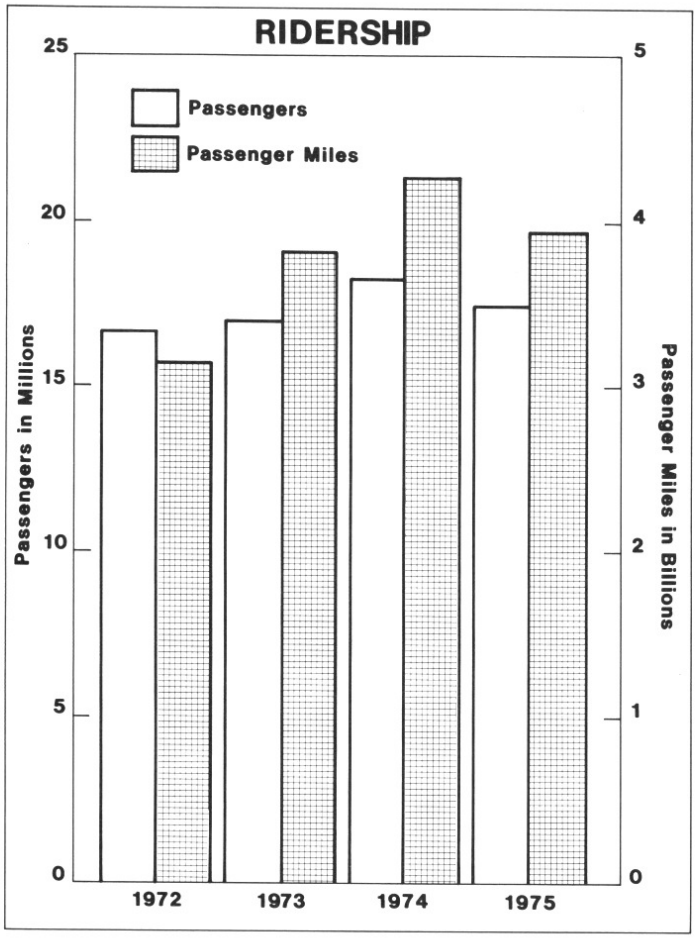
Amtrak's purpose is to revitalize intercity rail passenger transportation so that it becomes a more modern, energy efficient, environmentally safe alternative to air and highway travel. Since 1972, our marketing approach has increased American awareness and use of the rail alternative.

Ridership

This year more than 17.4 million passengers traveled 3,939 million miles over Amtrak's routes. Since 1972, use of the Amtrak system has increased an average of 9 per cent as indicated by total passenger miles traveled each year.

In 1974, Amtrak's rail ridership hit an all-time high due to shortages in gasoline supplies for automobile travel — automobile trips amount to 85 per cent of all intercity travel. With the 1975 recession and the more abundant gasoline supplies, we achieved a reassuring increase in ridership over 1972 and 1973 levels but did not equal the mark established in 1974. By year-end, advertising and promotional activities, coupled with an improved economy, encouraged vacation and other travel. Ridership increased in the last quarter of 1975 above the high level in 1974.

As part of the marketing research effort, Amtrak continued to study ridership characteristics. The profiles of our riders show that rail passenger service provides a traveling alternative to a broad spectrum of our population.



- Traveling Purpose
  - 65 per cent for vacations
  - 20 per cent for business
  - 15 per cent for other reasons
- Ridership Age
  - Averages 35 years in the summertime for long-distance trains
  - Averages 40 years for Metroliner travel year round
- Retired Patronage
  - Amounts to 25 per cent in off-seasons on long-distance trains
  - Amounts to 10 per cent during vacation and holiday seasons on long-distance trains

More work is needed in this area and our staff began joint research with the Department of Transportation to further define rail rider profile and market potential.

Advertising

During September through December, Amtrak conducted a major advertising and promotion campaign in more than 100 cities, using radio and newspaper media. Sales personnel distributed material to provide people with basic Amtrak information on available services and benefits.

Local advertising proved to be very effective. For example, Amtrak launched an intensive Metroliner

campaign in August and September. A reversal of a nine-month patronage decline occurred as monthly volume exceeded the September through December levels of 1974. A six-week television, radio, and newspaper campaign supported the introduction of the Turboliner service between Chicago and Detroit. This route showed an average increase in passenger volume of 70 per cent over 1974. Promotional and merchandising activities during October through December extensively publicized the introduction of the "Lake Shore Limited" — the new Boston-Chicago route.

New Routes

At the request of several state governments and by designation of the Secretary of Transportation, we expanded our route network by 2,000 miles to a total of 26,000 miles in 1975. New routes included:

- Routes designated by the Secretary of Transportation:
  Norfolk-Cincinnati (Mountaineer)
  Boston-Chicago (Lake Shore Limited)
- Routes requested and partially funded by state governments:
  Detroit-Jackson (The Michigan Executive)
  Minneapolis-Duluth (The Arrowhead)
  Buffalo-Detroit (Empire State Express)

These services connect with through trains to provide access to the total rail network.

Film crew shoots Turboliner commercial near Niles, Michigan. Continuing promotion of Amtrak trains increased public awareness of rail travel.

Over 17 million passengers traveled nearly four billion miles on Amtrak trains in 1975.

New Customer Service

A major Amtrak goal is to render the best possible service before, during and after train travel. As financial resources permit, Amtrak expands customer services.

Expansion of the Automatic Reservation and Ticketing System provided customers with various new services.

Souvenirs are handed to visitors at the opening of new passenger lounge in Chicago's Union Station.

An important customer service is provided by reservation clerks who use the Automatic Reservation and Ticketing System (ARTS) to assist them with their job. ARTS expansion in 1975 permitted reservation clerks to do the following:

- Ticket all group sales and the sale of reduced rate, military furlough, USARAIL and excursion plans
- Validate credit cards more quickly
- Update schedules and fares
- Reschedule passenger accommodations in instances of equipment failures and other emergencies
- Transfer customer calls from one busy reservation office to another via additional "overflow" circuits

Our staff installed terminals to connect ARTS at 62 new locations in the United States and Canada, bringing the total locations served to 146.

In 1975, the Corporation initiated a major program to facilitate intermodal travel by:

- Providing reservation clerks with information on bus interchange routes
- Reaching agreement with the Air Transport Association to provide alternative service during periods of interrupted airline schedules
- Nearing agreement with the two Canadian railroads to integrate reservation services and acceptance of each company's ticket stock
- Opening relations with Auto-Train to explore possible coordination of auto ferry service with Amtrak passenger service

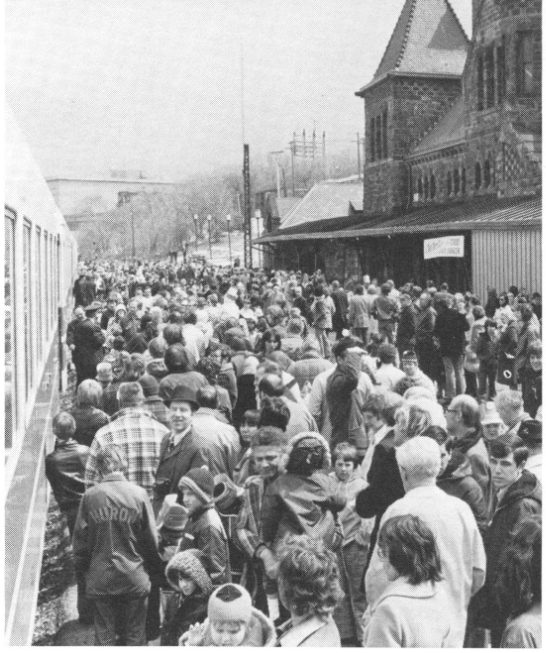
Pricing

In 1975, Amtrak strived to keep train service prices competitive. To counter inflation, we increased fares twice, once in the summer and once in late fall.

This year the company introduced a USARAIL Pass to overseas markets. The pass allows unlimited coach travel, except on selected trains, for a specified amount of time. It is America's answer to the EURAILPASS. By November, more than 85 travel agents in 25 foreign countries had Amtrak ticket stock.

Inaugural runs introduce new Amtrak services

Crowds inspect the new Turboliner at Niles, Michigan, on April 19.



Ann Arbor, Michigan, meets the Turboliner the following day.

Minneapolis ceremonies kick off the Arrowhead on April 15.

Elkhart, Indiana, receives the Lake Shore Limited on October 28.

Superior, Wisconsin, greets the maiden run of the Arrowhead.

The Mountaineer leaves the crowd at Bedford, Virginia, on March 24.

OPERATIONS

In 1975, Amtrak made more direct contact and improved relations with the 20 railroads upon which train operations depend. We contracted with two more railroads, the Missouri-Kansas-Texas and the Norfolk and Western, to provide train service on new routes.

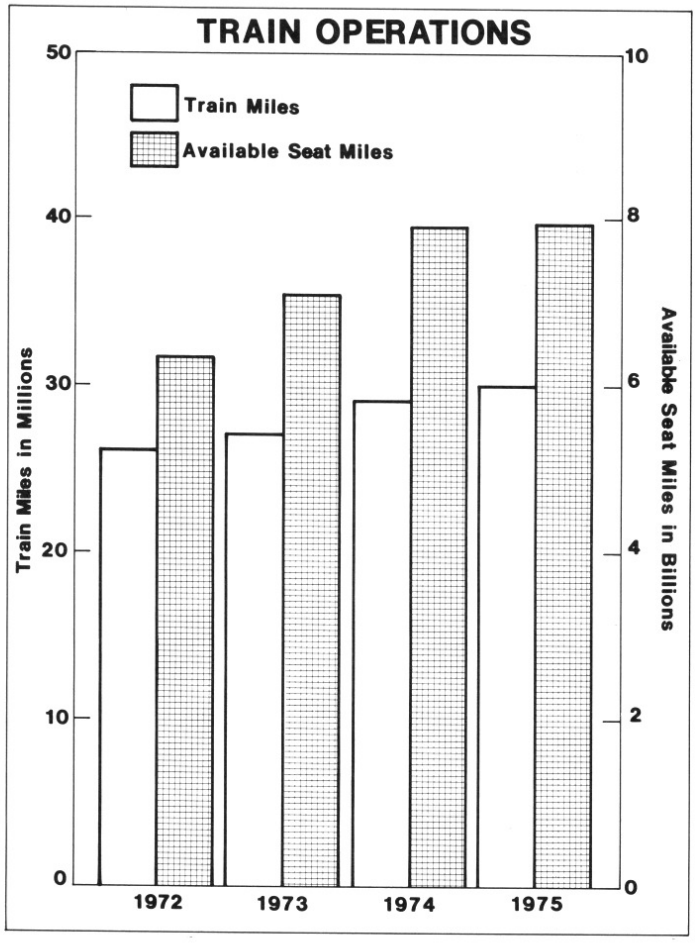
Train Operations

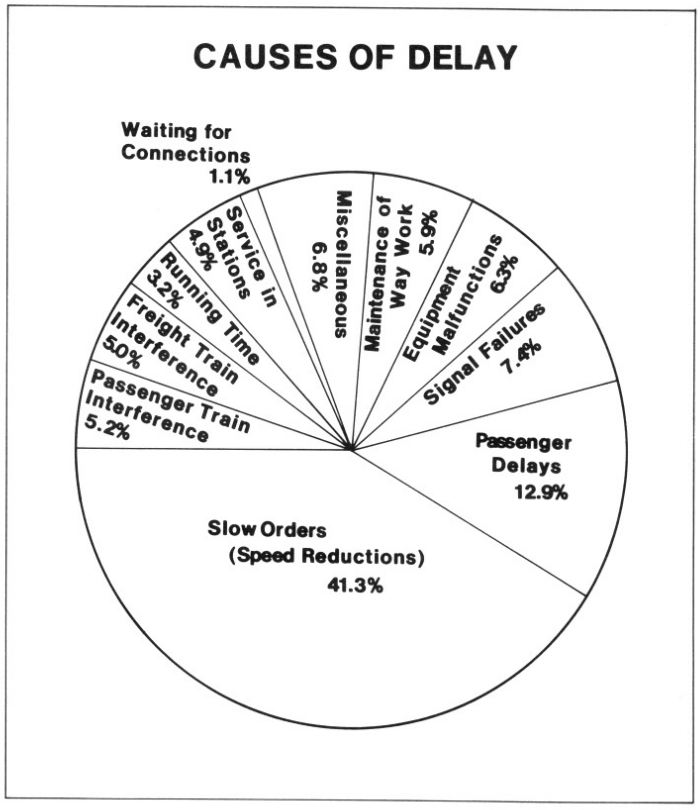
Engine and train crews who work directly for operating railroads operated Amtrak equipment to provide 88,000 trains in 1975. These trains traveled 30 million miles to make available 7,293 million seat miles for intercity travel by rail. This was the highest volume of service Amtrak has provided since inception in 1971.

System Performance

On-time arrivals reached a level of 77.4 per cent in 1975. The short-distance trains — those traveling less than 300 miles — remained constant at 79.9 per cent. The Penn Central Company operated 78.2 per cent on-time in the heavily traveled Boston-Washington corridor despite slower speeds due to track improvement work. Long-distance trains recorded large improvements from 63 per cent last year to 72 per cent this year.

The principal reason for train delay was poor track condition, which required reduction in train operating speed. Track conditions accounted for 41.3 per cent of all delays in 1975. Passenger-related delays, signal failures, equipment malfunctions, and maintenance-of-way work accounted for 32.5 per cent of the delays.





On-Board Services

A primary 1975 objective of Amtrak was to improve the consistency of on-board service to offset inconvenience due to equipment failures. Amtrak expanded its emphasis to educate on-board personnel in new service skills and sought to develop better relations with all customers. Coach and sleeping-car attendants were instructed on how to provide greater assistance to boarding, on-board and deboarding passengers, especially handicapped and elderly patrons.

Amtrak food services offered new but fewer menu items in 1975. The quality of served food improved. Some food prices were raised to conform with the general market.

Quality of dining car meals improved, but some prices were raised to reflect higher food costs.

Equipment Maintenance

Although the company assumed more maintenance functions, operating railroads continued to perform the larger part of the equipment maintenance work. Equipment availability continued to be a major operating concern on a day-to-day basis.

This year the average age of the 1,882-car operating fleet advanced to 24.7 years, which is in excess of a car's efficient operating life. Previous car overhauls assisted maintenance personnel in holding the line against car breakdowns. The daily out-of-service ratio was 17.5 per cent in 1975, improving slightly from the 18.0 per cent last year. An additional 366 cars received complete overhaul and 124 received a standard two-year overhaul.

In 1975 Amtrak rebuilt 11 diesel locomotives. This completed a three-year project to restore 50 diesel locomotives.

The 362-unit locomotive fleet averaged 14.4 years of age in 1975. This is within a locomotive's productive operating life. Only 13.0 per cent were out of service in 1975, which is a significant improvement from 23.5 per cent last year. Overall, the locomotive fleet provided very dependable, consistent service throughout the year.

Locomotive out-of-service time improved from 23.5 per cent, in 1974, to 13.0 per cent in 1975.

A train communication system has been installed on all Amfleet cars.

Operating Safety

Amtrak, although it does not directly operate its trains, is responsible for providing safe operations. This year, a total of 19 derailments occurred, 7 of which were caused by track conditions. None of these derailments caused a passenger fatality.

During 1975, we continued to improve safe operating methods. Safety activities included:

- Testing before acceptance of the General Electric E-60-CP and P-30-C4 locomotives on the Boston-Washington corridor in conjunction with the Federal Railroad Administration
- Installing an intra-train communication system on all Amfleet equipment
- Researching train performance/safety through use of a simulation model developed by the Association of American Railroads
- Providing some track and signal improvements

PER CENT ON-TIME

RAILROAD	1973	1974	1975
Atchison, Topeka & Santa Fe	66.8	82.0	86.0
Boston & Maine •	81.1	83.7	97.4
Burlington Northern •	64.1	75.7	90.3
Chessie System	57.5	76.9	70.8
Canadian National	—	69.5	73.4
Delaware and Hudson •	—	82.1	84.5
Grand Trunk Western •	—	96.3	93.0
Illinois Central Gulf	33.8	58.5	51.9
Louisville & Nashville	42.7	78.5	76.3
Milwaukee Road •	68.0	88.5	90.5
Missouri-Kansas-Texas	—	—	91.4
Missouri Pacific	58.3	65.8	69.2
Norfolk & Western	—	—	91.8
PC-Corridor	62.7	82.3	78.2
PC-Non Corridor	62.7	36.2	54.8
Richmond, Frederick. & Potomac •	59.6	64.8	89.3
Seaboard Coast Line •	55.2	81.4	94.2
Southern Pacific •	39.1	74.1	83.3
Texas and Pacific	—	91.7	84.9
Union Pacific	77.5	94.7	94.4
Amtrak System	60.2	75.4	77.4

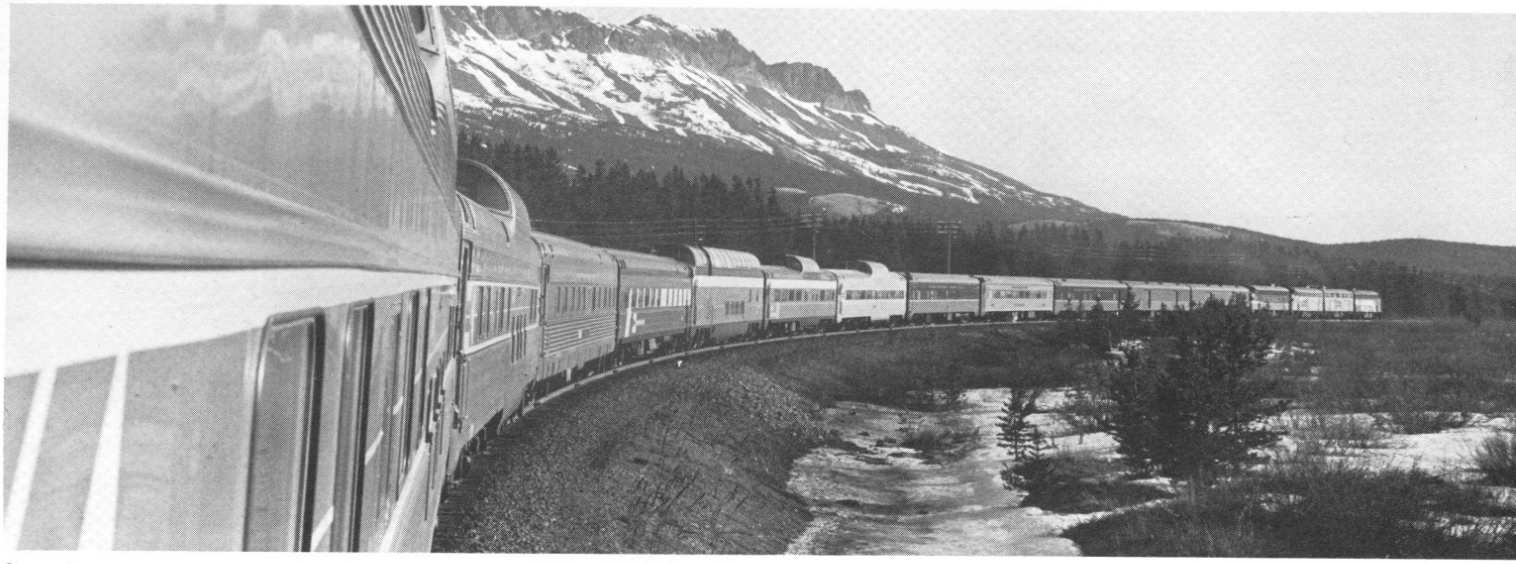
•Railroads with incentive contracts

Amfleet equipment went on exhibition in major corridor cities prior to being put into service.

Amtrak ordered 235 bi-level cars for long-distance trains from Pullman-Standard Company.

New General Electric P-30-C4 locomotive teams up with an SDP-40 on the Panama Limited. Sixteen P-30s went into service in 1975.

Amtrak's 88,000 trains traveled 30 million miles in 1975.



Long-distance train on-time performance increased from 63 per cent, in 1974, to 72 per cent in 1975.

FINANCIAL OPERATIONS

Overview

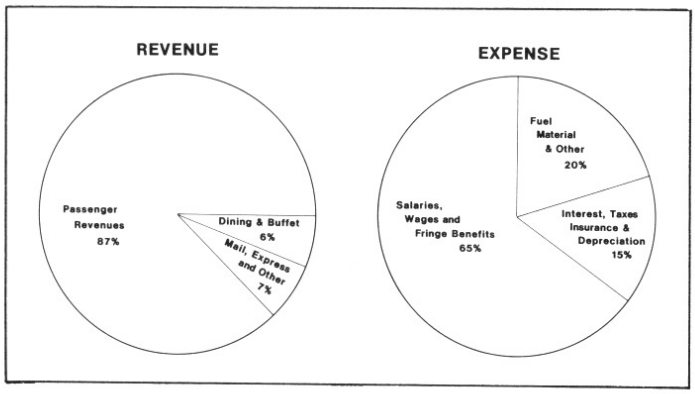
The Administration and Congress continued to support rail passenger service with authorizations and appropriations for operations and capital improvements. In the face of rising costs that could not be matched by revenue growth, heavy emphasis was put on reducing costs. By mid-1975 Amtrak had initiated many cost reduction actions. Subsequently, persistent shortfalls in budgeted revenue directly relating to economic conditions required further action. In November Amtrak management initiated an additional review and steps were begun to reduce train frequencies, defer and reduce the scope of equipment overhaul, cancel planned new services except state-supported routes, and to reduce corporate staffing levels and costs. These actions should permit the Corporation to operate within earned revenues and available appropriations and are consistent with congressional direction

> *" . . . to take the necessary managerial actions to operate for the full fiscal year within the amounts included in the Bill . . ."**

**U. S. House of Representatives; House Report 94-636; Conference Report on HR 8365, Department of Transportation and Related Agencies Appropriations, 1976; p. 12.*

Revenues

Since 1972 overall revenue for the Corporation has averaged an upward trend of 13.8 per cent a year.



In 1975 revenues totaled 253 million dollars or 2 per cent below the record level of 1974. Food and beverage, military and government, and mail/express revenue exceeded 1974 levels.

Expense

In 1975 expense amounted to 605 million dollars. Approximately 65 per cent of this amount was required for salaries and benefits to Amtrak and railroad personnel with the remaining 35 per cent for fuel, material, interest, depreciation and other expenses. The impact of inflation continued to widen the gap between actual and constant 1972 dollars. The constant dollar curve had begun to level in 1975 in spite of the addition of new routes and other operating growth.

Operating Deficit

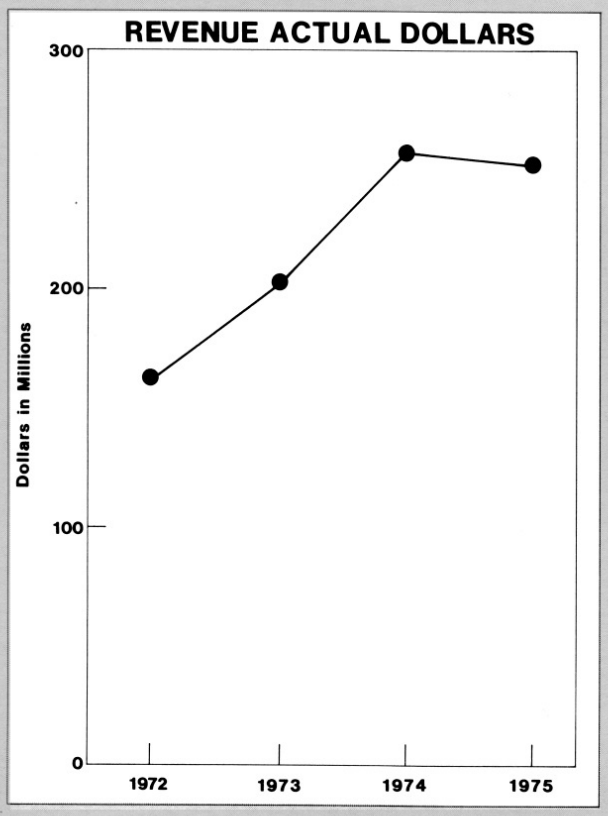
In 1974, the operating deficit amounted to 272 million dollars. This year when revenue fell 2 per cent and expense grew by 15 per cent, our operating deficit amounted to 352 million dollars. The 1975 deficit increased beyond the 1974 level because of inflation, the addition of new routes and services, and increased expenses of equipment overhaul.

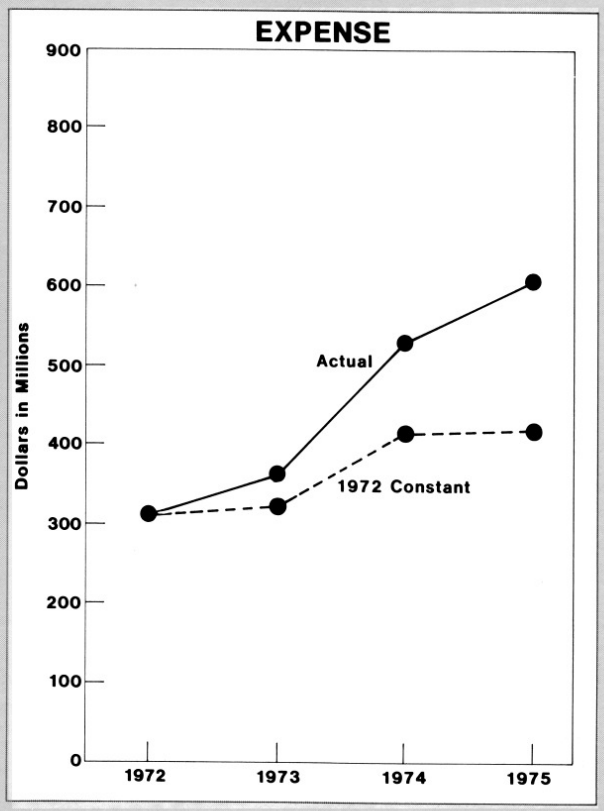
Inflation

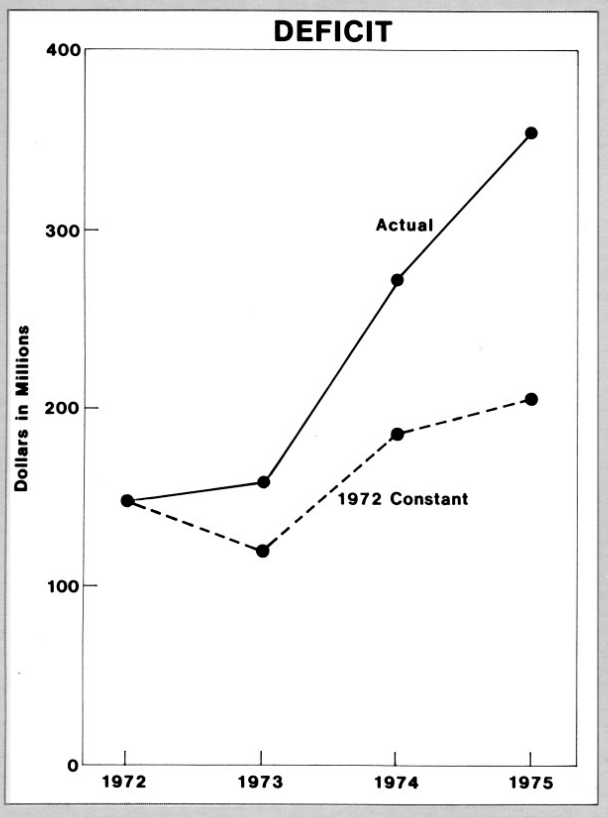
Amtrak has been seriously impacted by the combination of inflation and recession as have all elements of our economy. Since inception in 1971 the Corporation has operated in a period of great inflation. Over 59 per cent of the inflation occurring since 1960 has taken place in the last four years when Amtrak's formation and growth required heavy financial investment. Revenue through fare increases could not reasonably be expected to offset the rate of cost growth. The Corporation's cost base was about double its revenue base in 1975.

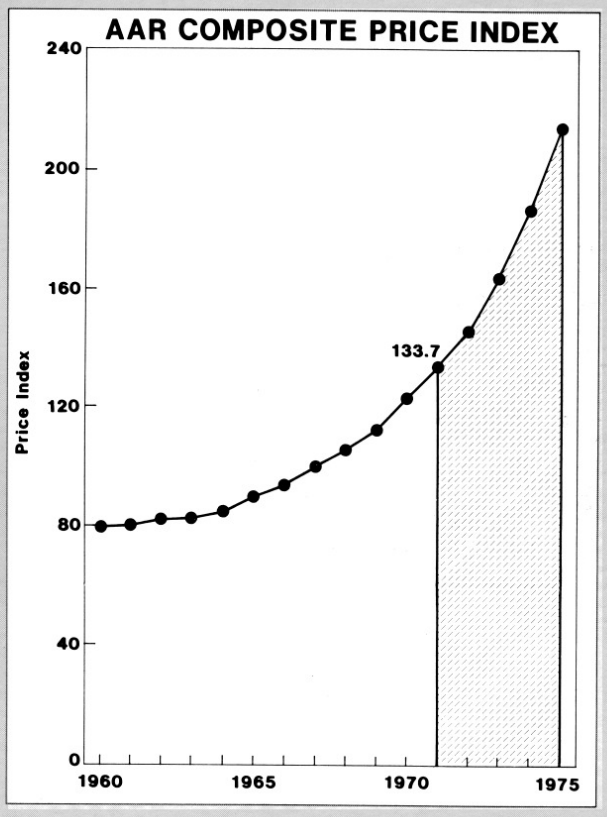
Capital Funding

To date Congress has provided financing authority in excess of one billion dollars for capital improvements. As of December 31, 1975, 873 million dollars were committed for the purchase of new equipment and modernization of facilities.


REVENUE ACTUAL DOLLARS
Dollars in Millions
300
200
100
0
1972
1973
1974
1975

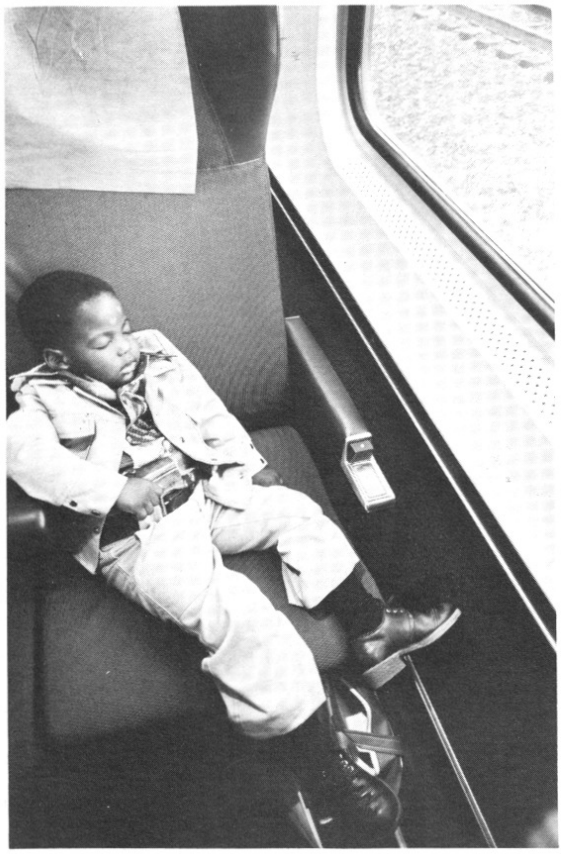

EXPENSE
Dollars in Millions
900
800
700
600
500
400
300
200
100
0
Actual
1972 Constant
1972
1973
1974
1975


DEFICIT
Dollars in Millions
400
300
200
100
0
Actual
1972 Constant
1972
1973
1974
1975

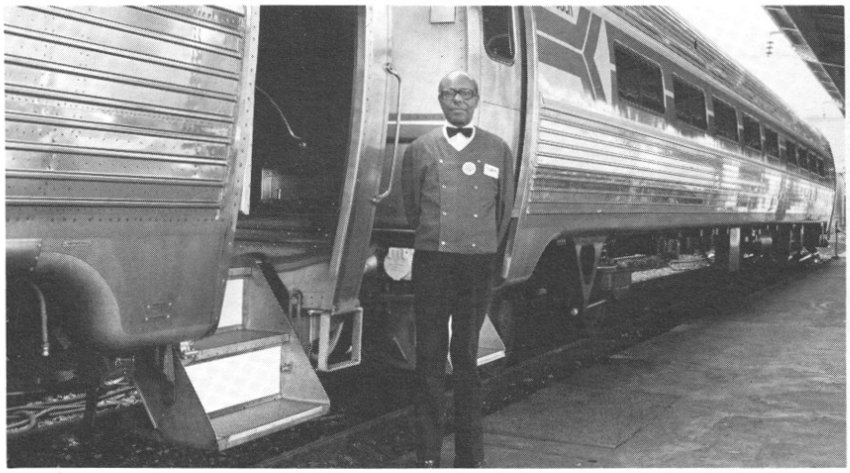

AAR COMPOSITE PRICE INDEX
Price Index
240
200
160
120
80
40
0
133.7
1960
1965
1970
1975

1975-The year of the Amfleet

By year's end, Amtrak had received 115 Amfleet cars from the Budd Company, including 91 Amcoaches, 11 Amcafes and 13 Amclubs.



Improved seating and excellent ride qualities make for a comfortable ride for Amtrak customers.



Welcome aboard Amtrak's new Amfleet. Seats in Amcoaches can vary from 52 for long-distance overnight travel to 84 for short runs.

Amcafes feature a large food service unit in the center of the car. Passengers can choose between simple snacks or hot meals.

Amclubs have single seating on one side of the car, twin seating on the other side. The lounge chairs are thicker, softer and wider than conventional coach seats.

Each car in the Amfleet is equipped with fold-down tables for eating, writing or other use.

The new Amfleet is bringing an entirely new dimension to train travel for both the family and the businessman.

Amclub passengers are served meals right at their seats.

CAPITAL IMPROVEMENTS

In 1975, Amtrak capital programs provided many needed improvements in passenger equipment, locomotives, stations, maintenance facilities, commissaries and roadbed.

Passenger Equipment

During Amtrak's first three years, operations were hampered by chronic equipment shortages and failures due to the advanced age of the fleet. In 1975, the delivery of 115 Amfleet cars from the Budd Company began to provide important relief. Amtrak designed the 91 Amcoaches, 11 Amcafes, and 13 Amclub cars to resemble the Metroliner equipment. The Budd Company scheduled delivery of 377 Amfleet cars to continue at an average of five per week until July 1977.

For a smoother ride, Amfleet cars have a new combination steel coil/pneumatic suspension. Heating, air-conditioning and lighting are completely electric. Interiors are carpeted, including wall areas, to reduce noise. Fully reclining seats are equipped with retractable tray tables. Seats and lights are mounted on rails to allow adjustment of seat spacing for different trip lengths. Amfleet equipment was in use on trains between Boston and Washington, Cumberland and Washington, Philadelphia and Washington, and Chicago and St. Louis.

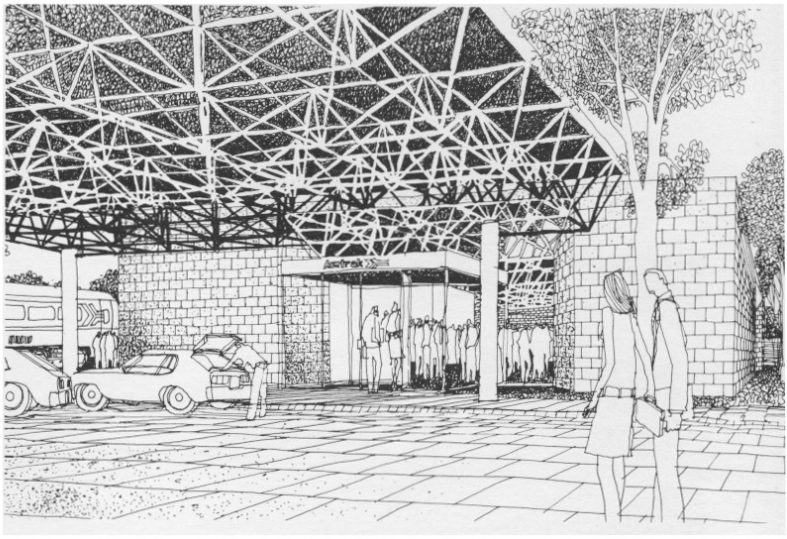
Four new French Turboliners started operating on the Chicago-Detroit route. Seven additional five-car sets were ordered by Amtrak from Rohr Industries, for production in the United States, with delivery scheduled for July 1976.

Amtrak ordered from the Pullman-Standard Company 235 bi-level cars for use in long-distance operations. Deliveries will begin in January 1977 and extend to June 1978 for 120 coaches, 55 sleepers, 34 diners and 26 cafe cars.

Locomotives

During the year, we placed into service six electric and 16 diesel-electric locomotives from the General Electric Company. All but one of these locomotives

After an extensive test program, Amtrak accepted six new electric locomotives from General Electric for Northeast corridor service.



Funds have been committed for a new passenger station in Cleveland.

are equipped with electric generators to supply power to Amfleet cars. An additional eight diesel-electric locomotives were on site by year-end.

On order from the General Motors Corporation are 30 lightweight locomotives. These units will be the first 4-axle diesels purchased by Amtrak. They are specifically designated for medium-distance routes.

Looking toward future alternatives, an agreement was reached by Amtrak with the ASEA Electric Company of Sweden to lease a high-speed, lightweight electric locomotive. The General Motors Corporation is licensed to produce these locomotives in the United States. The model Rc4 demonstrator will undergo extensive Amtrak service testing in the Northeast corridor in July 1976.

Stations

During the year, Amtrak emphasized its station work along the route of the "Lake Shore Limited" between Chicago and Boston. Amtrak funds were committed to build new stations in Cleveland, Ohio, and Worcester, Massachusetts, and to improve eight other stations along the route.

The Corporation cooperated in a comprehensive project sponsored by both the Department of Commerce and the Department of Transportation, in conjunction with local governments, to renovate ten stations in the Northeast corridor. In other areas, Amtrak began to improve nine stations in a joint project with New York, twenty-one stations in cooperation with Illinois, and explored a similar program with Connecticut. New stations were completed in Richmond and Roanoke, Virginia; Bluefield, West Virginia; and Catlettsburg, Kentucky. In the nation's railroad hub at Chicago, Amtrak opened a new passenger lounge and baggage facility in Union Station.

Commissaries

In 1975, Amtrak moved closer to its objective of improving operations. The company opened a new commissary facility in Miami and obtained control over the former Atchison, Topeka, and Santa Fe commissary in Chicago, and the Seaboard Coast Line commissary at Jacksonville. In accordance with Federal Drug Administration standards covering

One of four new Turboliners leaves Chicago for Detroit. Passenger volume has increased 70 per cent on the route from the previous year.

Several hundred attended ribbon-cutting ceremonies for Amtrak's new Richmond, Virginia, passenger station.

sanitation of commissary and food service cars, commissary personnel established a demanding national inspection program.

Maintenance Facilities

In April, Amtrak purchased the Penn Central Transportation Company repair facility at Beech Grove, Indiana. The facility performs heavy overhauls on all types of car equipment. Since takeover, production improved from four to six cars per week by establishment of better inventory control, material handling and production procedures.

In June, Amtrak commissioned an engineering consulting company to develop a preliminary design to update the Beech Grove facility for support of Amtrak's future car fleet.

The company began negotiations with the Penn Central, Seaboard Coast Line and the Santa Fe railroads to acquire shops and yards in the Northeast corridor, Chicago, Miami and Los Angeles to provide daily servicing and light repair work.

Roadbed

Since its inception in 1971, Amtrak has faced a serious roadbed problem in many areas. This year's roadbed work provided minor relief, but an overall solution was not in sight. Roadbed conditions collectively caused poor rider comfort, numerous adjustments in train operating schedules, 41.3 per cent of all late trains and seven train derailments with the consequent cost to repair 180 cars.

With limited resources, the company assisted with the improvement of some track and roadbed. In May, Amtrak funded work performed by Penn Central personnel to begin improving 170 miles of New York-Boston track, roadbed and bridges. Track work completed between Temple-Taylor, Texas shortened the "Inter American" schedule between St. Louis-Laredo by one hour to the Mexican border. In cooperation with the State of Michigan, we started to improve track and signaling on the Chicago-Detroit and Chicago-Port Huron lines.

This was very nominal progress. Right-of-way improvements continue to represent the most critical problem Amtrak faces.

CORPORATE ACTIVITIES

Organization

In July, Amtrak reorganized to promote quicker problem solving and to increase local attention to the quality of service. Before reorganization, the supervisors of running maintenance, on-board service, commissary and station service activities reported formally to separate corporate departments. Presently, operating personnel report to a single superintendent in each of 19 districts.

Corporate employment changed in total and by function as the company assumed direct control of the Beech Grove maintenance facility and some commissaries from operating railroads. With the assumption of these functions, direct employment increased from about 8,500 to 8,800 during 1975.

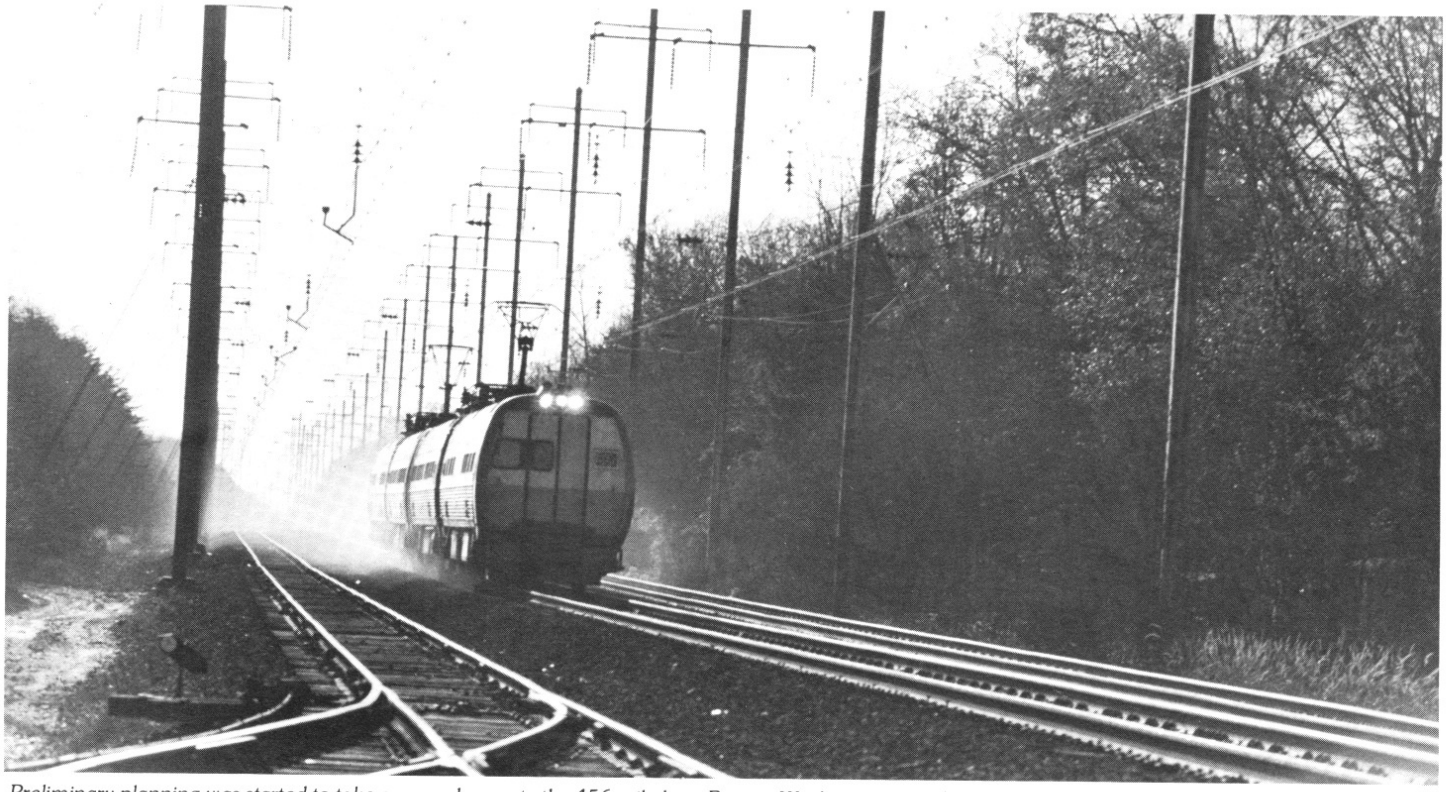
Labor-management relations remained good. Partial or complete wage agreements were reached with all twelve craft and labor organizations. Final rules negotiations were completed with three unions and are expected to conclude shortly with all others.

Planning

In August, Amtrak forwarded to the Administration and Congress an updated five-year plan. It covers the period of fiscal year 1976 to 1980.

In response to the Amtrak Improvement Act of 1975, we developed a comprehensive set of criteria and procedures for making route and service decisions. The Amtrak Board of Directors submitted these criteria to Congress for approval. The criteria provide quantitative requirements for evaluating the economic, social and environmental factors associated with the intercity rail operations and markets.

This fall, Amtrak began preliminary planning to own and operate the Northeast corridor as proposed by the United States Railway Association's Final System Plan, developed in response to the Regional Rail Reorganization Act of 1973. The Northeast corridor trackage extends 456 miles between Boston and



Preliminary planning was started to take over and operate the 456-mile-long Boston-Washington corridor.

Washington, has movement of 500 trains daily, including 91 Amtrak trains, and requires approximately 8,000 personnel to operate it. At year's end, final legislation had not been enacted to fully define Amtrak's role in the corridor.

Legal Proceedings

In 1975, the Interstate Commerce Commission held a series of hearings to determine whether it should change the regulations or recommend new legislation governing Amtrak service. Following six months of hearings in ten cities throughout the country, the Commission's presiding administrative law judge presented in his report of December 10, 1975, that:

> *"In general, then, these hearings have affirmed that there has been substantial progress in upgrading Amtrak service in recent months, that this progress is now continuing in the hands of a management working effectively to accelerate that progress, and that there is broad public support for this effort . . .*

ICC's administrative law judge ruled "substantial progress in upgrading Amtrak service in recent months."

> *"Amtrak has achieved very important advances toward creating a credible national system of intercity rail passenger service."*

Amtrak worked with the ICC to develop a functional set of guidelines for defining adequate service. Amtrak filed 22 additional petitions for exemption from the substantive requirements of the Interstate Commerce Commission's regulations during 1975. Thirteen of these petitions were granted and none have been denied.

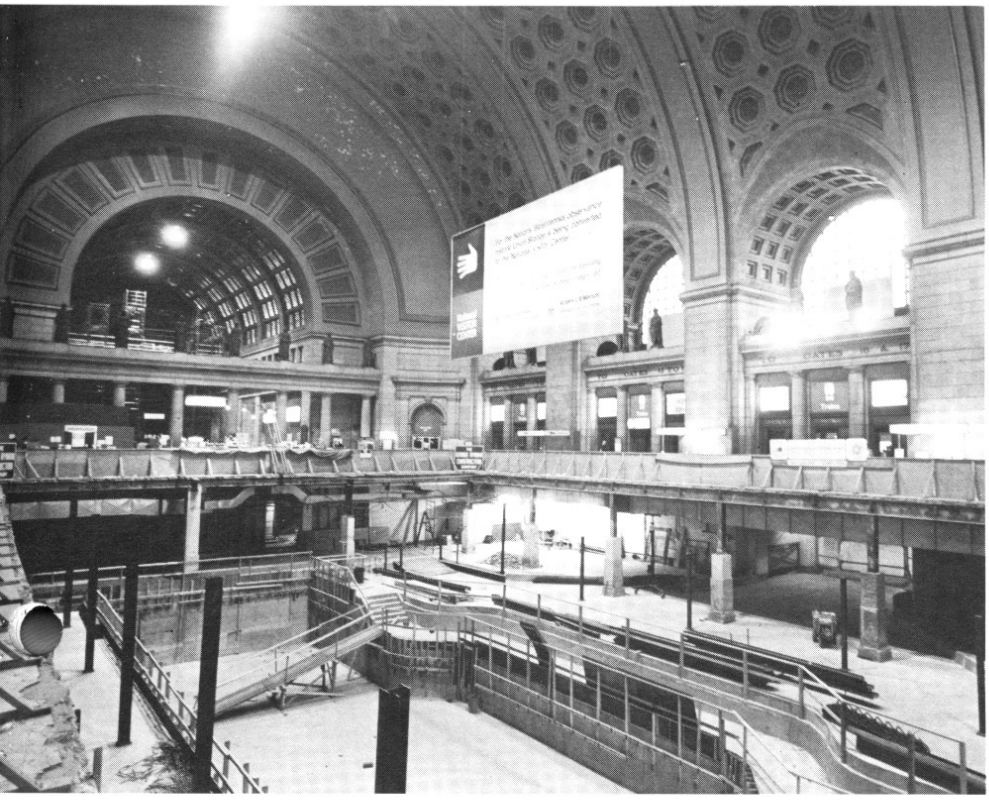
Amtrak has pending before the Interstate Commerce Commission the question of what is the appropriate usage of Washington Union Station. The Commission is considering the fundamental question of whether Washington Union Station, the construction of which was mandated by Congress in 1903, should be allowed to become a mausoleum or whether it should serve as a meaningful rail passenger station. Over Amtrak's objections, the owners allowed the passenger parking facilities to be destroyed. This has inconvenienced many rail passengers.

The Corporation undertook a major arbitration proceeding to seek an authoritative determination of the standard of track maintenance required under the operating agreements between Amtrak and the participating railroads. Amtrak received an arbitration award against the Penn Central Transportation Company. The award interpreted the Railroad operating agreements to mean that rail lines used in Amtrak service, including trackage owned by railroads in bankruptcy, must be maintained at the level of utility that existed when Amtrak began operations on May 1, 1971.

Data Processing

Corporate data processing needs began to expand beyond the twin CDC 3500 equipment capabilities. During 1975, corporate information needs were redefined by management. The Board of Directors approved expansion of the computer facility to include IBM 370 equipment. The expanded facilities will be used to produce additional financial measurements, rider and market profiles, and operating statistics similar to those that follow.

An open house celebrated Amtrak's purchase of Penn Central's Beech Grove, Indiana, repair facility in April.



Work continues on transforming Washington Union Station into a National Visitor Center. At the expense of passenger convenience, parking facilities were destroyed when a portion of the concourse was razed.

Operating Statistics

General	1972	1973	1974	1975
System Route Miles. . . . . thousands	23	22	24	26
Stations Served	440	451	473	484
Train Miles Operated . . . . . millions	26	27	29	30
On-Time Performance				
Systemwide.	75%	60%	75%	77%
Short-Distance	82%	70%	80%	80%
Long-Distance	53%	30%	63%	72%
Service Provided				
Car Miles Operated. . . . . millions	201	226	245	253
Available Seat Miles. . . . . millions	6,294	7,077	7,885	7,923
Ridership				
Passengers. . . . . millions	16.6	16.9	18.2	17.4
Passenger Miles . . . . . millions	3,038	3,806	4,258	3,939
Revenue Cars				
Operating Fleet. . . . . Dec. 31	1,569	1,717	1,881	1,882
Out of Service . . . . . daily avg.	NA	NA	18.0%	17.5%
Average Age . . . . . years	22.0	23.1	24.3	24.7
Number Overhauled.	177	410	458	490
New Deliveries.	0	0	0	115
Locomotive Units				
Operating Fleet. . . . . Dec. 31	185	337	442	362
Out of Service . . . . . daily avg.	NA	NA	23.5%	13.0%
Average Age . . . . . years	22.3	18.7	13.6	14.4
Number Rebuilt	0	15	24	11
New Deliveries.	0	40	110	30
Turbo Trains/Units				
Operating Fleet. . . . . Dec. 31	3	5	5	9
Out of Service . . . . . daily avg.	NA	NA	9.0%	10.0%
Average Age . . . . . years	7.0	4.8	5.8	3.7
New Deliveries.	0	2	0	4
Metroliners				
Operating Fleet. . . . . Dec. 31	61	61	61	61
Out of Service . . . . . daily avg.	NA	NA	28.7%	27.3%
Average Age . . . . . years	6.0	7.0	8.0	9.0

ARTHUR ANDERSEN & CO.

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WASHINGTON, D.C. 20006
(202) 785-9510

To the Board of Directors
National Railroad Passenger Corporation:

We have examined the balance sheet of NATIONAL RAILROAD PASSENGER CORPORATION (incorporated pursuant to the Rail Passenger Service Act and the laws of the District of Columbia) as of December 31, 1975 and 1974, and the related statements of operating loss before Federal operating grants, accumulated operating losses and Federal operating grants and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements referred to above present fairly the financial position of National Railroad Passenger Corporation as of December 31, 1975 and 1974, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Arthur Andersen & Co.

January 28, 1976

National Railroad Passenger Corporation

Balance Sheet

December 31, 1975 and 1974

Assets

	1975	1974
	(Thousands of dollars)	
Current assets:		
Cash	$ 3,296	$ 7,027
U. S. Government securities, at cost	17,500	2,000
Accounts receivable —		
Railroad operations, net	—	5,579
Customers and other	17,510	14,208
Federal grants	—	1,000
Materials and supplies, at average cost	23,509	9,903
Prepayments and deposits	495	1,360
	62,310	41,077
Property and equipment:		
Passenger cars and locomotives	473,291	279,491
Other	18,370	17,248
	491,661	296,739
Less — Accumulated depreciation and amortization	(26,910)	(16,100)
	464,751	280,639
Other assets:		
Long-term budget advances to railroads	6,665	6,502
Other	4,575	4,250
	11,240	10,752
Total assets	$538,301	$332,468

Liabilities and Capitalization

	1975	1974
	(Thousands of dollars)	
Current liabilities:		
Accounts payable	$ 28,620	$ 16,681
Railroad operations, net	7,206	—
Current portion of capitalized lease obligations	3,604	2,331
Accrued expenses	23,167	16,866
Deferred ticket revenue	3,478	4,467
	66,075	40,345
Long-term debt:		
Notes payable, 5.68% to 8.31%	377,750	220,900
Capitalized lease obligations	103,530	74,229
	481,280	295,129
Capitalization:		
Preferred stock, $100 par value, 1,000,000 shares authorized	—	—
Common stock, $10 par value, 40,000,000 shares authorized, 9,385,694 shares outstanding	93,857	93,857
	93,857	93,857
Accumulated operating losses before Federal operating grants	(1,026,233)	(673,701)
Less — Federal operating grants	817,900	472,600
	(208,333)	(201,101)
Federal capital grants received in 1975 and 1974	2,500	1,000
Railroad capital payments	102,922	103,238
	105,422	104,238
Total capitalization	(9,054)	(3,006)
Total liabilities and capitalization	$ 538,301	$332,468

The accompanying notes are an integral part of this balance sheet.

Statement of Operating Loss Before Federal Operating Grants

For the years ended December 31, 1975 and 1974

	1975	1974
	(Thousands of dollars)	
Operating revenues	$ 252,697	$ 256,910
Operating expenses:		
Maintenance of way and structures	12,185	10,421
Maintenance of equipment	134,964	98,862
Traffic	26,840	34,604
Transportation	224,784	198,151
Dining and buffet service	50,450	52,146
General	65,272	53,958
Taxes on payroll and property	46,139	40,782
Facilities and equipment rents	6,349	8,775
Total operating expenses	566,983	497,699
General and administrative expense	16,566	15,483
Interest expense	27,591	17,505
Capitalized interest on advances for equipment in production	(5,911)	(1,080)
Total expenses	605,229	529,607
Operating loss before Federal operating grants	$(352,532)	$(272,697)

Statement of Accumulated Operating Losses and Federal Operating Grants

For the years ended December 31, 1975 and 1974

	Accumulated operating losses before Federal operating grants	Federal operating grants	Net
		(Thousands of dollars)	
Balance December 31, 1973	$ (401,004)	$282,000	$(119,004)
Operating loss and Federal operating grants, 1974	(272,697)	190,600	(82,097)
Balance December 31, 1974	(673,701)	472,600	(201,101)
Operating loss and Federal operating grants, 1975	(352,532)	345,300	(7,232)
Balance December 31, 1975	$(1,026,233)	$817,900	$(208,333)

The accompanying notes are an integral part of these statements.

Statement of Changes in Financial Position

For the years ended December 31, 1975 and 1974

	1975	1974
	(Thousands of dollars)	
Uses of funds:		
Operating loss before Federal operating grants	$352,532	$272,697
Depreciation and amortization	(14,116)	(9,979)
Total cash used for operations	338,416	262,718
Purchases and refurbishments of property	198,228	163,408
Increase in materials and supplies	13,606	3,653
Increase in other assets	804	7,983
Total uses of funds	551,054	437,762
Sources of funds:		
Notes payable	156,850	142,300
Federal grants	346,800	191,600
Decrease in accounts receivable	3,277	39,800
Increase in accounts payable and accrued expenses	25,446	19,845
Capitalized lease obligations	29,301	45,478
Other decrease (increase) in working capital	1,149	(620)
Total sources of funds	562,823	438,403
Increase in cash and U. S. Government securities	$ 11,769	$ 641

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

December 31, 1975 and 1974

Adjustments to railroad reimbursements

Amounts due the contracting railroads are recorded by Interstate Commerce Commission account classification based on reported and estimated expenses, which are subject to audit and adjustment by the railroads and the Corporation. The Corporation's continuing program for auditing monthly costs reported by railroads has resulted in numerous adjustments proposed and settled or under current negotiation. The recovery of proposed adjustments has established a basis for accruing estimated net recoveries of $14,796,000 at December 31, 1975, and $15,234,000 at December 31, 1974.

Transportation revenue

Passenger fares are recorded as operating revenue when the transportation is furnished. Unused tickets are reflected in the financial statements as deferred ticket revenue at selling price.

Federal funding

Funds are provided to the Corporation through Federal grants to offset operating losses and for capital acquisitions. Such grants are reflected in the financial statements as they are released to the Corporation by the Department of Transportation. As of December 31, 1975 and 1974, Federal grant funds, appropriated but not requisitioned, were $255,200,000 and $85,775,000, respectively.

Property and equipment and related debt

The Corporation is authorized to borrow or enter into lease obligations for equipment and other capital purposes for up to $900,000,000 with such obligations being guaranteed by the United States Government. Based upon this authorization, substantial commitments have been made for capital equipment. The Corporation's interest in rolling stock has been assigned to the United States Government as security in connection with the guaranty of debt. Notes payable have been classified as long-term debt in the accompanying financial statements, based on a commitment from the Federal Financing Bank to refinance the obligations for periods extending at least until January 1, 1977.

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives. Depreciation and amortization expense, for the years ended December 31, 1975 and 1974, was $14,116,000 and $9,979,000, respectively. Certain major items of property acquired through lease agreements are recorded as assets and are depreciated over their estimated useful lives. Substantially all such leases are for 15-year periods begining in 1973 through 1975.

Capitalized interest on advances for equipment in production

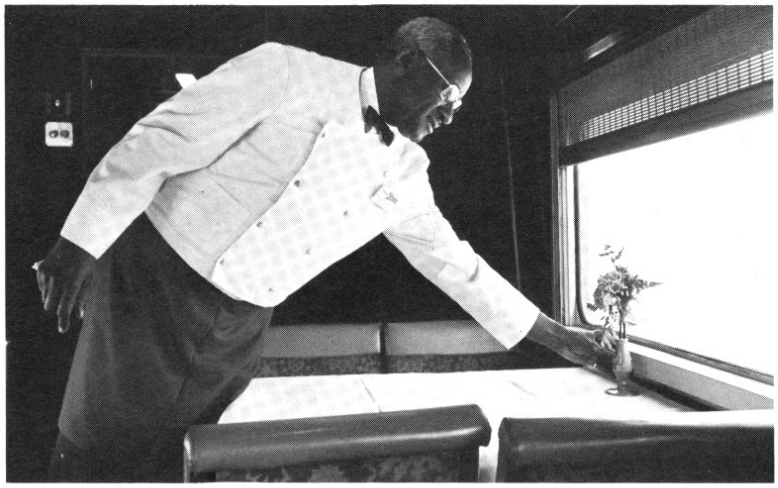
The Corporation's policy is to capitalize interest on advances for equipment in production to properly reflect the total cost thereof. The interest rates used to calculate interest correspond to the rate paid for capital funds. Since no significant amount of interest capitalized has been depreciated, the effect of this policy has been to reduce the operating loss before Federal operating grants by the amount of interest capitalized.

Pension plan

The Corporation has a fully funded noncontributory retirement plan covering nonunion employees. Provisions for pension costs were $889,000 in 1975 and $759,000 in 1974.

Northeast corridor

In connection with the United States Railway Association's Final System Plan, the Corporation expects to be assigned control of the properties and responsibility for the operations in the Northeast corridor. See page 19 of the text of the annual report.



Amtrak