



THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

July 11, 2002

The Honorable J. Dennis Hastert  
Speaker of the House of Representatives  
Washington, D.C. 20515

Dear Mr. Speaker:

Enclosed for introduction and referral to the appropriate committee is a bill--

To help the National Railroad Passenger Corporation continue operations through Fiscal Year 2002.

Today the National Railroad Passenger Corporation (Amtrak) faces a profound financial crisis. The Administration is committed to working with Congress to develop a solution that re-directs Amtrak's operating philosophy toward efficiency and service that makes sense. The Administration has agreed, under a specific set of conditions, to undertake a short-term strategy that maintains long-distance and commuter service through this fiscal year. At the same time, the Administration is setting a foundation for longer-term management and financial reforms at Amtrak. As you know, on July 3, 2002, the Administration approved a loan of \$100 million for capital projects through the Railroad Rehabilitation and Improvement Financing (RRIF) program to help Amtrak avoid an immediate shutdown of services--the first piece of a two-part plan to assist Amtrak with its immediate crisis. Our initial action to provide this short-term loan will also require Amtrak to improve its financial controls and accounting transparency. I transmit this proposal to authorize an additional direct loan of up to \$170 million in Fiscal Year 2002 in the expectation that it would allow Amtrak to continue operation through the fiscal year while the Administration and Congress lay the foundation for longer-term reform. Both loans would, by their terms, be repaid no later than January 1, 2003. Given the collateral assets required in this draft legislation as a condition of Amtrak's obtaining the proposed loan, the United States will fully cover Amtrak's risk of loan default. We will request that Amtrak pursue private sector sources of funds, and we will make the loan only if Amtrak cannot obtain such funds after a good faith effort.

These and other short term stop-gap measures, however, are not genuine solutions to Amtrak's weakened finances. Amtrak has relied on a number of fictions to survive over the years. Just last year, I reluctantly approved Amtrak's request to mortgage its key access rights to New York's Penn Station in order to meet its payroll. Over the past five years, Amtrak sold, leased and mortgaged valuable assets to meet its operating expenses. During the same time, its rail infrastructure deteriorated and Amtrak has a capital expenditure backlog of many billions. Unfortunately, Amtrak lacked fundamental financial controls to appropriately measure its performance. We expect this situation to

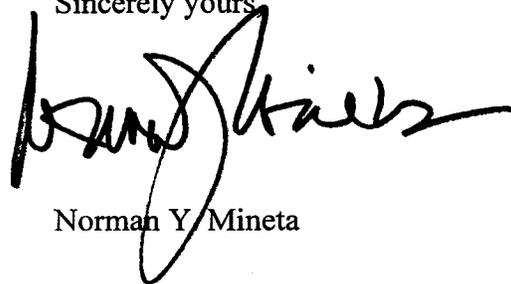
change.

As part of the signed RRIF loan agreement, Amtrak pledged to improve its corporate financial controls and enhance its accounting transparency. Among the reforms, Amtrak was required to provide its Board of Directors with more detailed management performance reports and provide DOT with core operating data so that these entities could more effectively and independently evaluate Amtrak's performance. In addition, Amtrak committed to freeze all management salaries, suspend bonus payments, and seek the cooperation of all of its employees to achieve substantive operating cost reductions. The conditions placed on the recent loan to Amtrak will, among other things, make its finances clear to Congress, the Administration, and the public for the first time. This gives us an opportunity to act.

This short-term strategy must be accompanied by a long-term strategy or Amtrak will continue limping from stop-gap to stop-gap measure in the future. Commuters and intercity passengers who rely on Amtrak deserve more. I have laid out, on behalf of the Administration, the principles that we believe must govern Amtrak in the long term, and I will not repeat them here. Intercity passenger rail service is an important part of the Nation's transportation system, but it will not be viable until fundamental reform is undertaken. The country can ill afford to throw billions of federal dollars at Amtrak annually and just hope its problems disappear. Thirty years' experience should teach us that merely hoping for better performance is a doomed approach. Our long term vision incorporates definitive performance milestones in a new authorization. It would impose statutory discipline and accountability in moving toward a viable system of intercity passenger rail service. It would preserve and strengthen a national asset. The Administration intends to refine this vision and discuss its implications with interested stakeholders.

The Office of Management and Budget has advised that there is no objection, from the standpoint of the Administration's program, to the submission of this proposed legislation to Congress, and that its enactment would be in accord with the President's program.

Sincerely yours

A handwritten signature in black ink, appearing to read "Norman Y. Mineta". The signature is fluid and cursive, with a large loop at the end.

Norman Y. Mineta

Enclosure



THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

July 11, 2002

The Honorable Richard B. Cheney  
President of the Senate  
United States Senate  
Washington, D.C. 20510

Dear Mr. President:

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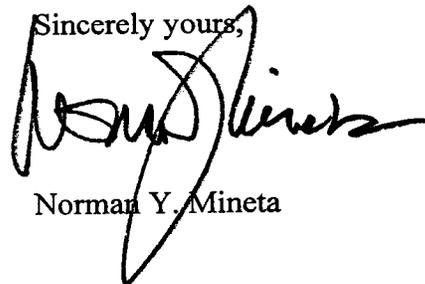
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Norman Y. Mineta

Enclosure

A Bill

To help the National Railroad Passenger Corporation continue operations through Fiscal Year 2002.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That, in order to help the National Railroad Passenger Corporation ("Amtrak") continue operations through Fiscal Year 2002, the Secretary of Transportation is authorized to make a direct loan, consistent with the Federal Credit Reform Act of 1990, as amended, to Amtrak under such terms and conditions as the Secretary, in consultation with the Director of the Office of Management and Budget, determines are in the public interest. The Secretary shall require that Amtrak pledge collateral assets sufficient to cover in full the costs, as defined in section 502 of the Federal Credit Reform Act, of making the loan. Amtrak shall pay interest at a rate benchmarked to outstanding marketable Treasury securities of comparable maturity. Such loan shall be repaid in full no later than January 1, 2003. The principal amount of the loan shall not exceed \$170,000,000.