Amtrak's Updated FY 2021 Grant Request and Economic Recovery Proposal

On May 25, 2020, Amtrak transmitted to Congress its supplemental grant request for FY 2021. Since then, we have had several months of actual ridership data to analyze and we have conducted surveys to understand our customers' thoughts and plans about future travel. While this pandemic is truly unprecedented, and there is still plenty of risk in accurately forecasting, we now have a better understanding of how the pandemic is likely to impact FY 2021 based on these additional data. We have concluded that the fundamental assumption behind our May request – that FY 2021 systemwide ridership would be approximately 50% of FY 2019 – was optimistic due to nationwide propagation of the virus that began in late June and July and the resulting surge in cases, hospital admissions, and travel restrictions. As a result, we project that the shortfall we face in FY 2021 is much deeper and wider than we thought back in May. Our current projection is that the FY 2021 systemwide ridership would be approximately 34% of FY 2019.

Explaining the Updated FY 2021 Revenue Forecast

When we were in the initial months of the pandemic, Amtrak provided Congress with some early estimates of how COVID-19 would impact our FY 2021 ridership and revenue. For example, in May, we calculated a high-level forecast that projected a 50% reduction in revenue from 2019 for the whole company, but we did not provide projections for individual service lines. Unfortunately, recovery is occurring more slowly than originally anticipated and it is clear that the pandemic will extend into and likely through FY 2021. As a result, Amtrak has updated its gross ticket revenue forecast as part of developing our Annual Operating Plan (AOP) for FY 2021, including a breakdown by service line:

	FY 2019 (Actuals)	FY 2021 (May forecast)	FY 2021 (AOP)
Northeast Corridor	$1,322	Not conducted on the individual service lines.	31% of 2019
State Supported	$538		41% of 2019
Long Distance	$495		35% of 2019
Amtrak companywide	$2,354	50% of 2019	34% of 2019

Adjustments since May

Amtrak's AOP forecast $199 million less revenue than what we anticipated in May. Also, based on conversations with our state partners, we anticipate requiring an additional $30 million more than we did in May for use in lieu of Sec. 209 state payments. In addition, should Congress prohibit Amtrak from adjusting its workforce and service levels, we will need an extra $546 million. Finally, for prudent planning purposes, we are requesting $496 million to protect against revenue risk (described below) and $92 million to support required RRIF payments due in FY 2021 (described below).

Amtrak's projected needs in May (February request of $2.040b + May supplemental request of $1.475b)	$3,517
Change in revenue forecast, additional funds needed in lieu of Sec. 209 payments, funds needed to implement congressional directives, RRIF payment, and revenue risk (all detailed on page 2)	+$1,363
Amtrak's projected needs as of August 24, 2020	**$4,880**

Revenue Risk

There are several unknowns, such as how long the pandemic will continue, the availability and efficacy of a vaccine, and our customers' evolving confidence regarding travel safety. As the new fiscal year approaches, we have had to build an AOP based on our best estimates, with clear recognition that it is impossible to predict with precision the ridership and revenue forecast for FY 2021. Therefore, we believe it is prudent to include in our request some additional assistance in case ticket and/or ancillary revenue fall below our AOP projections. By accounting for risk to revenue, we increase our confidence that Amtrak could maintain service levels and minimize workforce impacts if/when ridership and revenue fall below today's estimates in these extremely uncertain times. Amtrak's Revenue Risk includes $376 million in lower ticket revenue and $120 million in lower ancillary revenue (commercial, real estate, etc.) for a total of $496 million. If revenue proves to be strong enough to not require these additional funds, Amtrak would work with the Administration and Congress to ensure the funds are reprogrammed to advance critical capital projects or to support operations in FY 2022.

Detailed Request

Values in $, millions; numbers may not add due to rounding	**Northeast Corridor**	**National Network**	**Total**
FY 2021 Grant Request			
Base Request (2/15/20)	714	1,326	2,040
Supplemental Request (8/24/20)			
▪ *Northeast Corridor*	990	—	990
▪ *State Supported*	—	78	78
▪ *Long Distance*	—	119	119
▪ *209 payments*	—	290	290
▪ *212 basic capital charges*	172	57	229
Subtotal	1,162	544	1,706
Potential Congressional Directives			
▪ *Prohibit Furloughs*	124	210	333
▪ *Prohibit Adjusting Long Distance to 3x/week (non-labor cost only)*	—	213	213
Subtotal	124	423	546
RRIF Payments	92	—	92
Revenue Risk: Additional Funds to Protect Against Revenue Below Current Estimates			
▪ *Lower Ticket Revenue*	124	252	376
▪ *Lower Ancillary Revenue*	40	80	120
Subtotal	164	332	496
Total	**2,255**	**2,625**	**4,880**
Amtrak's Economic Recovery Proposal			
Amfleet I Replacement (NEC, state supported, long distance)	163	199	362
Superliner Replacement (long distance)	—	280	280
ADA Compliance and Improvements	215	340	555
Gateway Program (Portal North Bridge, Hudson Tunnel Project, Sawtooth Bridges)	380	7	387
Southwest Chief PTC and Improvements	—	14	14
NEC Bridges & Tunnels (East River Tunnels, B&P, Susquehanna River Br., Pelham Bay Br., Connecticut River Br.)	799	56	855
Southeast Corridor Expansion (Virginia expansion, acquisition of S-line, connect North Carolina to NEC)	—	205	205
National Network Infrastructure Improvements (Chicago Gateway, Front Range in Colorado, Nashville to Atlanta, Chicago to Twin Cities, *Heartland Flyer* extension, and other investments)	—	1,644	1,644
Gulf Coast Restoration	—	30	30
Major Stations (Chicago, Phila., NY Penn, Baltimore Penn, Washington Union, and others)	222	32	254
PTC and Safety Improvements	36	80	116
Workforce Development, Training, & Apprenticeship Prog.	4	7	10
RRIF and Debt Payments	450	8	458
Total	**2,267**	**2,902**	**5,170**
Combined Total	**4,522**	**5,528**	**10,050**

Other Explanatory Notes

- Amtrak will adjust long distance service frequency in October as planned. If Congress were to subsequently provide funding for daily service and prohibit such adjustments in legislation later in the fiscal year, it will take Amtrak some time to return service to FY20 levels. It cannot happen overnight, and we ask Congress to keep this in mind as it considers legislative directives.
- Amtrak allocates fixed and shared costs among our service lines using the APT system, and following our temporary long distance frequency reduction, costs would be reallocated based on most long distance trains running 3x/week. This would reduce the long distance share and increase the state supported or NEC share. However, Amtrak has agreed to remove the additional costs to Sec. 209 states from their invoices, and we have proposed in our request that our NN grant include sufficient funds to cover these costs.
- Some Sec. 209 states have expressed concerns about having to cover their share of costs for employees who are not working but still being paid (Employees who are on Extra Board or facilities that have excess staffing). If Congress directs Amtrak to not furlough any employees in FY 2021, the above National Network grant level includes sufficient funds to cover the costs of the employees who are not working but still being paid.
- Amtrak projects that $350 million is needed in lieu of Sec. 209 state payments in FY21. We anticipate having approximately $60 million in CARES Act funds that will carry over into FY21; therefore, we have included only $290 million in our FY21 ask. Amtrak support's the Sec. 209 states' request for a new funding mechanism for how to allocate the funds in lieu of state payments as an alternative to the CARES Act (see legislative proposals).
- The $213 million needed to prohibit adjusting long distance service does not include labor costs. It is only fuel, power, materials, commissary, and other non-labor route variable costs. The labor costs are already included in the table within the $333 million for the potential congressional directive to prohibit furloughs, so we did not want such costs to be double counted. If Congress chose to only prohibit long distance and not prohibit all furloughs, then the cost to maintain current long distance service (including LD related jobs) would increase by $135 million, from $213 million to $348 million.

Legislative/Policy Requests

Implementing a Congressional Directive to Prohibit Furloughs:
If Congress decides to include a directive prohibiting furloughs, Amtrak requests the below language in order to avoid unintended consequences, allows Amtrak to implement such directive in a way that considers seasonal work and third-party contracts.

> *Provided further,* That the amounts made available in this title under such headings shall be used by the National Railroad Passenger Corporation to prevent employee furloughs, provided that Amtrak can furlough employees associated with seasonal work and third-party contracts: *Provided further*, That Amtrak and its employee labor organizations shall enter into agreements that permit Amtrak to train, as required, and utilize surplus employees in any craft at their then-current contractual rates of pay and terms to supplement the work of another craft performing work at an equal or lesser pay scale for no more than 40 hours per week of such work for FY 2021.

State Supported Assistance:
Amtrak supports the states' request for $290 million (which totals $350 million when you include the $60 million in CARES carryover) for funds in lieu of state payments:

> *Provided further,* That not less than $290,000,000 of the amounts made available under this heading shall be made available for use by the National Railroad Passenger Corporation to be apportioned toward State payment obligations on a pro-rata basis proportional to the ticket revenue earned by each State Supported route (as defined in 49 USC 24102(13)) in FY 2019, where no state's share of funding will be less than 20 percent of the costs allocated to the route in FY 2019 under the cost methodology policy adopted pursuant to Section 209 of the Passenger Rail Improvement and Investment Act of 2008.

Amfleet Replacement:
Include a set-aside for new single level fleet procurement, similar to what Congress includes in the FY20 bill, to support Amtrak's completion of this procurement in FY 2021.

Provided further, That of the amounts made available under this heading and the ''National Network Grants to the National Railroad Passenger Corporation'' heading, $100,000,000 shall be made available to fund the replacement of the single-level passenger cars used on Northeast Corridor, State Supported Corridor, and Long Distance routes.

Railroad Rehabilitation and Improvement Financing (RRIF):
Amtrak is concerned about RRIF loan payments due in FY 2021 for the new *Acelas*, given production delays due to COVID, as well as anticipated lower NEC ridership/revenue due to the pandemic. We have identified two possible legislative solutions:

- Option A: Provide $92 million in FY 2021 and include legislative language specifying that our grant can be used to cover RRIF payments.
- Option B: Authorize DOT to modify loan terms to allow Amtrak, and other recipients of RRIF loans impacted by COVID-19, such as regional public transportation authorities that have used RRIF loans to fund installation of positive train control, with additional time to begin repaying loans and to draw down funding, with the deferred payments and interest added to the outstanding balance that will ultimately be fully repaid by the borrower.

Facilitating Emergency Reemployment of Retirees:
Most railroad employees have highly specialized skills, and those in positions such as engineers, conductors, and dispatchers must be qualified to operate over or have extensive knowledge of specific geographic territories over which Amtrak trains operate. A shortage of qualified personnel due to illnesses or quarantines affecting many or all such employees at a dispatching center or crew base could necessitate shutdowns. With this in mind, we suggest that Congress allow railroad retirees with necessary job skills to be temporarily reemployed by their former employer, in accord with collective bargaining agreements, during a national emergency such as the COVID 19 pandemic without losing their Railroad Retirement benefits during their reemployment, provided that there are no furloughed employees previously qualified or certified and capable of performing the work.