

**NOMINATIONS OF ROBERT CRANDALL,
FLOYD HALL, AND LOUIS THOMPSON, TO BE
MEMBERS OF THE AMTRAK REFORM BOARD**

HEARING

BEFORE THE

**COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE**

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

NOVEMBER 6, 2003

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SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

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THURSDAY, NOVEMBER 6, 2003

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Committee met, pursuant to notice, at 9:34 a.m. in room SR-253, Russell Senate Office Building, Hon. John McCain [chairman] presiding.

**OPENING STATEMENT OF HON. JOHN MCCAIN,
U.S. SENATOR FROM ARIZONA**

The CHAIRMAN. Good morning. I would like to welcome our three nominees to the Amtrak Reform Board of Directors: Robert Crandall, Floyd Hall, and Lou Thompson. I extend my congratulations to you, or condolences, on your nominations. You certainly have your work cut out for you.

If confirmed, you will be serving on the board of a corporation that: loses over \$1 billion annually; refuses to change its network of trains regardless of fiscal realities and losses of hundreds of dollars on a per-passenger basis on many routes; invested \$800 million in high-speed Acela equipment that was to be one of the answers to Amtrak's revenue problems, but instead is plagued by mechanical problems; has mortgaged virtually every asset it owns, including New York's Penn Station; has run up a debt of nearly \$5 billion, the majority of which has occurred since enactment of the Amtrak Reform and Reauthorization Act of 1997; has received over \$26 billion in Federal funding over its 32 years of operation; and is seeking nearly \$2 billion for each of the next 5 years just to operate the existing network of trains.

It is also a company that: still carries less than 1 percent of intercity travelers; carries as many passengers in a year as the airlines carry domestically in less than 3 weeks; is touting record ridership in fiscal 2003, while failing to admit that the ridership increase was accompanied by a significant reduction in revenue due to steep fare cuts; until about a year and a half ago insisted it was on a "glide path" to self-sufficiency.

With this kind of performance and a lack of "straight talk" until Mr. Gunn came on board, there is clearly room for improvement. The new Board can and must make some tough decisions based on fiscal realities and implement necessary reforms, many of which do not require legislation.

Congress and the American taxpayers need a Board that will exercise its fiduciary responsibilities, initiate some real change at Amtrak, and provide Congress constructive input into what Amtrak can and cannot do depending on the level of funding it receives.

We are very fortunate to have such qualified nominees as are before us today. Since 1997 the Amtrak board has been comprised mostly of politicians, including three Governors and one mayor, despite the fact the statute requires that board members have “technical qualifications, professional standing, and demonstrated expertise in the fields of transportation or corporate or financial management.”

I believe that the composition of the Board contributed greatly to Amtrak’s disastrous results. For example, that Board allowed a new train to be operated in Wisconsin that ended up losing \$1,200 per passenger before it was halted in 2002, and did nothing to ensure the Congress was provided accurate information with respect to Amtrak’s true financial performance.

The nominees before us bring a wealth of business and transportation experience to the Amtrak Board. Lou Thompson is the U.S. expert on international rail reform and earlier in his career managed the Northeast Corridor Improvement Project for 8 years. In Bob Crandall, former CEO of American Airlines, and Floyd Hall, former CEO of K-Mart, we have two seasoned business executives who I hope can help Amtrak become a market-driven rather than a politically motivated company.

I am anxious to hear from each of you about your views on Amtrak, how it can be reformed and improved and why you have agreed to serve on Amtrak’s Board. I know your nominations are a great honor and that your families are very proud.

Before I continue, I would just make one additional comment. I say to the nominees in all seriousness, I do not know of an issue that is more divisive in Congress than this one. There are honestly held views. They are—I have tried to treat those views with respect. What we have ended up with is sort of the worst of all worlds. We have not reformed Amtrak in a way that would put it on a track to really be a financially independent corporation, which is what the promise was in 1973 would happen in 3 years when Amtrak was formed. And yet we have not given them enough money, in the view of those who have differing views, to really inject a huge amount of money to get them into a fiscally independent status.

So we end up, it seems to me, over the last 17 years that I have been on this committee sort of having the worst of both worlds, and that is a continuous sort of life support system, but only life support system.

I respect the views of Senator Hollings, Senator Lautenberg and Senator Hutchison, who feel very strongly about the need for a strong and viable Amtrak and will complain to you about the lack of funding. I also feel that our views that say there should be some fundamental reforms enacted as well as part of that should be respected as well. Unfortunately, never the twain has met, at least in the 17 years that I have been a member of this committee and interested in this issue.

I kind of have no dog in this fight because Amtrak has very little presence in my home state of Arizona. It does not even stop in Phoenix any more. Very few Americans would rather take a train from Phoenix to Los Angeles than an airplane, for obvious reasons.

I understand and appreciate the absolute criticality in the Northeast of Amtrak and I strongly support that. I have no vision at any time—and I hope the nominees would not, either—of trying to do away with the Northeast Corridor. But I think we have an obligation to taxpayers to make those networks as financially responsible as possible.

For years—and I apologize to my colleagues for this long opening comment. But the thing that is so frustrating is that for a number of years before this Committee, whether you are a supporter or detractor of Amtrak, we were not told the truth. We were told that, while Penn Station is being mortgaged, that we are on the, “glide path” to self-sufficiency, and everybody knew that it was not true.

At least we ought to start out—and I congratulate Mr. Gunn—start out with some at least honesty and transparency about the depth of the challenges that Amtrak faces in the future.

I apologize to my colleagues for the long opening comment, and I would ask Senator Hollings and then Senator Hutchison and then Senator Lautenberg to make any opening comments that they wish.

[The prepared statement of Senator McCain follows:]

PREPARED STATEMENT OF HON. JOHN MCCAIN, U.S. SENATOR FROM ARIZONA

Good Morning. I would like to welcome our three nominees to the Amtrak Reform Board of Directors: Robert Crandall, Floyd Hall, and Lou Thompson. I extend my congratulations on your nominations. You will certainly have your work cut out for you.

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- invested \$800 million in high-speed Acela equipment that was to be one of the answers to Amtrak’s revenue problems but instead, is plagued by mechanical problems;
- has mortgaged virtually every asset it owns, including New York’s Penn Station;
- has run up a debt of nearly \$5 billion, the majority of which has occurred since enactment of the Amtrak Reform and Reauthorization Act of 1997;
- has received over \$26 billion in Federal funding over its 32 years of operation; and
- is seeking nearly \$2 billion for each of the next five years just to operate the existing network of trains.

It is also a company that—

- still carries less than 1 percent of intercity travelers;
- carries as many passengers in a year as the airlines carry domestically in less than three weeks;
- is touting record ridership in Fiscal Year 2003, while failing to admit that the ridership increase was accompanied by a significant reduction in revenue due to steep fare cuts; and
- until about a year and a half ago, insisted it was on a “glide path” to self-sufficiency.

With this kind of performance, and the lack of “straight talk” until Mr. Gunn came on Board, there is clearly room for improvement. The new Board can and must

make some tough decisions based on fiscal realities and implement necessary reforms, many of which do not require legislation. Congress and the American taxpayers need a Board that will exercise its fiduciary responsibilities, initiate some real change at Amtrak, and provide Congress constructive input on what Amtrak can and cannot do depending upon the level of funding it receives.

We are very fortunate to have such qualified nominees before us today. Since 1997, the Amtrak Board has been comprised mostly of politicians, including three governors and one mayor, despite the fact the statute requires that Board members have “technical qualifications, professional standing, and demonstrated expertise in the fields of transportation or corporate or financial management”. I believe that the composition of the Board contributed greatly to Amtrak’s disastrous results. For example, that Board allowed a new train to be operated in Wisconsin that ended up losing \$1,200 per passenger before it was halted in 2001, and did nothing to ensure the Congress was provided accurate information with respect to Amtrak’s true financial performance.

The nominees before us bring a wealth of business and transportation experience to the Amtrak Board. Lou Thompson is *the* U.S. expert on international rail reform and earlier in his career managed the Northeast Corridor Improvement Project for eight years. In Bob Crandall, former CEO of American Airlines, and Floyd Hall, former CEO of K-Mart, we have two seasoned business executives who I hope can help Amtrak become a market-driven, rather than a politically-motivated, company. I am anxious to hear from each of you about your views on Amtrak, how it can be reformed and improved, and why you have agreed to serve on Amtrak’s Board.

I know your nominations are a great honor, and that your families are very proud. Please feel free to introduce any family members who are present here today.

**STATEMENT OF HON. ERNEST F. HOLLINGS,
U.S. SENATOR FROM SOUTH CAROLINA**

Senator HOLLINGS. Thank you, Mr. Chairman.

I would ask that my statement be included in the record.

The CHAIRMAN. Without objection.

Senator HOLLINGS. And only comment to the effect that, while you have stated that over 32 years Amtrak received \$26 billion, I would only admonish that airlines, air travel, since 9/11 in 2 years have received \$30 billion, and they are all going broke.

Other than that, the defense rests.

The CHAIRMAN. Senator Hutchison.

**STATEMENT OF HON. KAY BAILEY HUTCHISON,
U.S. SENATOR FROM TEXAS**

Senator HUTCHISON. Well, thank you, Mr. Chairman, and I appreciate that your holding this hearing. I appreciate knowing your views. I very much respect your views about reform of the system.

My problem with Amtrak is that we have treated it like a step-child and then wondered why it does not work. When a two hour ride is consistently six hours late, the system cannot draw riders.

I have met with each of the nominees individually because this is so important to me, to know what they think. If any one of them had said, I am here to shut down Amtrak, I would be voting no and I would be speaking against him. Every one of you has said that you want to make it work, and some of you have been honest enough to say that it is going to take subsidies, for the rest of Amtrak’s life it will take subsidies.

Well, I have always believed that. There is not a transportation system in our country that is not subsidized. In any other country that has rail it is subsidized. My view is that we do need reform and we do need to treat rail like an equal part of our multimodal

transportation system and give it the subsidies it needs, both capital and operational.

I have legislation which I hope all of you will read and give me suggestions on ways to improve, but it does have financing for infrastructure improvements. It also does require that we have operational subsidies that will give us a chance to make it work.

My motto has been "National or Nothing" because I do not think we should be subsidizing just one region of the country. I think we can have a skeleton that goes across the top of the country, the side, the bottom, and the side, and something right down the middle, and then I think other things will flow from that.

I believe that David Gunn is trying to keep our national system intact, and my concern is that if we do not keep it intact it will be gone forever. So I think if we can reform it and hold it we will have an option available that will be a viable option, an important option, for our traveling public and our interstate commerce. But if we let it go we will never get it back.

I am looking to the board for advice. All of you have terrific backgrounds in management and creativity, and that is what we need. We need creativity. Maybe a solution is not running on the freight rails. Maybe it is having a second track on the freight rail right-of-way. Maybe it is putting rail down the highway right-of-way. Let us think outside the box, but let us try to make a national system that is viable and is an alternative to the crowded freeways that many of us in our states have on routes that could be Amtrak routes.

We are looking at rail going from airport to airport now in our major metropolitan areas in Texas, and I think that has a great potential for us. But I hope you will help us think outside the box. I hope you will put your great management experience to work for creativity for the system. I have faith in every one of you, and I have met each of you. And of course, I have known Mr. Crandall. I know he has real management expertise, and the other two of you as well have impressive backgrounds.

I hope you will work with us. I will take any advice you give me. I may or may not offer legislation, but I will hear you out. If we can make something work that will put our system back on track, then I think we will have done what is right for America.

The CHAIRMAN. Senator Lautenberg.

**STATEMENT OF HON. FRANK R. LAUTENBERG,
U.S. SENATOR FROM NEW JERSEY**

Senator LAUTENBERG. Thanks very much, Mr. Chairman.

First of all, I want to point out that this is not a balanced hearing. There are only three of us against the one of him. We need a few others in the room here to get on an equal footing.

The Chairman of this Committee is known for one thing, which I widely respect, his candor. He lets you know just where things stand, even if you disagree, and we have had the opportunity to do that over the years.

Before I comment on these nominees to the Amtrak Board—and I would almost like to strike out the word "reform" because that is not the mission. The policy has got to be made in a different

place and the implementation has to be made by the members of the Board.

I would like to note with pride the fact that we had Governor Dukakis and Governor Holt and Meridian Mayor Smith and Sandy Rose, all of whom have done, very much done their best to improve New Jersey's transportation network and the Amtrak system. They provided leadership and helped hold the railroads together during very tough fiscal times.

The goal of the Board is to ensure that there is solvency attached to Amtrak while ensuring the high safety and service standards. It is important that the Board's members bring with them the certain background or expertise that benefits Amtrak.

We have, Mr. Chairman and fellow members, three people of distinction. Their backgrounds are noteworthy. I take a particular delight in introducing a New Jerseyan, almost a neighbor of mine for many years living in New Jersey, Mr. Floyd Hall. Floyd has done a great deal to enhance the quality of life in our area by bringing into being a stadium and recreational facility with his leadership, and attached to our good friend Yogi Berra, who is also a New Jersey resident and an occasional golf partner of each one of us. So we are pleased to see Mr. Hall.

Mr. Crandall and I had occasion to meet with smoking guns a few years ago when he was the Chairman of American and I was trying to get the American public to stop smoking in airplanes and he felt that it was an inhibition of rights and a disadvantage to the competitive position of American. But it all worked out well. We won. It was a good outcome.

I served also as a Commissioner of the Port Authority of New York and New Jersey and I had been Chairman and Ranking Member of the Appropriations Subcommittee on Transportation for many years. I am familiar—and I was the CEO and Chairman of a fairly good-sized company in the New York region and New Jersey, and I am familiar with the responsibilities associated with operating a major transportation system and see the problems that we have had transporting people and goods through our area and the role that the railroads play there. It takes an appreciation of what the traveling public's needs are and how best to serve them. That is what we are talking about.

Yesterday we had an occasion to meet in a secure classified meeting here, and I will not reveal anything that has not been in the public media, but one thing struck me. That is that there are 700,000 shoulder-type weapons floating around this world, and the fact of the matter is that it is something that the airlines in particular, but our society totally, has to be concerned about.

Why bring it up in connection here with this review this morning? That is, heaven forbid that we have an attack on an airliner in this country that succeeds. We would be crippled if we did not have a railroad service to carry people back and forth. We saw it on 9/11, the nightmare that no one wanted to dream. That was when the aviation system was shut down cold, this wonderful system of ours. It was Amtrak that brought people between Washington and New York, critical that they were available.

So I think it has to do with the security of our country, and I think it has to do with what kind of a transportation system we have.

Now, the Chairman was right, they have mortgaged everything literally but the kitchen sink. But that is because we did not give them enough money to operate with. At one point in time, one point or another, we are going to have to give it the kind of capital investment that it desperately needs, because you can never get to the point that you want to by mini-repairs here and there.

Mr. Thompson is an expert on railroads. In our conversation yesterday I noted with respect his experience. There is an agreement there: You cannot do this thing unless you decide once and for all that it is as important to this country as is aviation. Aviation may carry more people, but you cannot do without something that carried 24 million passengers last year. That is a goodly number, and for a lot of communities.

That is the dilemma, is we try to decide whether or not routes should be taken down here or there, but—

The CHAIRMAN. Senator Lautenberg.

Senator LAUTENBERG. Yes?

The CHAIRMAN. Could we move on here fairly soon?

Senator LAUTENBERG. Would you like to hear the full statement? OK, we will accelerate the process if we can get some commitment for funding Amtrak.

The CHAIRMAN. We are here to hear the views of the nominees.

Senator LAUTENBERG. Oh, yes. Oh, I did not realize that.

Anyway, I thank you and I thank my colleagues for indulging my enthusiasm, and I hope that I have persuaded them that the only way to go is fix Amtrak, put the money in there that it needs, have it properly managed, and continue choo-chooing along.

Thank you very much.

The CHAIRMAN. Thank you, Senator Lautenberg, and your complete statement will be made part of the record. All of us appreciate your passion on this issue and I thank you.

I thank the witnesses. Before we move forward, if there is any family members you would like to introduce that are with you today, we would be pleased to welcome them. Mr. Thompson?

Mr. THOMPSON. May I introduce my wife, Alice.

The CHAIRMAN. Alice, welcome. Thank you.

Mr. THOMPSON. As you know, in public life families become teams, and I certainly am glad to be a member of this team.

The CHAIRMAN. Thank you. Thank you for his service, Alice. Thank you.

Mr. Hall or Mr. Crandall?

Mr. CRANDALL. No, thank you.

The CHAIRMAN. Thank you. Then we will begin with Mr. Crandall, who is no stranger to this Committee. We have had the opportunity of exchanging views and receiving very valuable information from Mr. Crandall over many years. We welcome you and appreciate again your willingness to serve.

**STATEMENT OF ROBERT L. CRANDALL, NOMINEE TO BE A
MEMBER OF THE AMTRAK REFORM BOARD**

Mr. CRANDALL. Thank you, Senator. It is nice to see you again and I am glad to be here.

The CHAIRMAN. Could I mention one thing. I am required to go to a speech, attend a speech the President is giving, and I will not be able to stay, and I apologize for doing so. Senator Smith will be taking over after I leave.

Mr. Crandall.

Mr. CRANDALL. Thank you very much.

Based on your opening statement, I guess I would say that perhaps I am qualified to do this because your opening statement sounded very much like the airline industry.

The fact is I am here today because I think that developing and implementing a sound U.S. transportation policy is an important task and because I believe that passenger rail should be a part of the service network by which that policy is implemented.

My understanding of Amtrak at this point is clearly that of an outsider and is thus very limited. It does seem clear, however, that one of the fundamental challenges Amtrak faces is the lack of a clear and consistent policy position approved by both Congress and the Administration on which to base its operations. As I understand it, Amtrak by law is expected to serve as a national system. To do so, it needs substantial public resources, Congress and the Administration must decide whether to provide Amtrak the tools it needs, primarily financial tools, including adequate capital and necessary subsidies, to enable it to carry out that mandate or, alternatively, to modify the mandate.

In my view, Congress and the Administration have a responsibility to agree upon an Amtrak policy and to provide the resources required to implement that policy. The Amtrak Board and Amtrak management in turn are responsible to see to it that the resources allocated are used in an efficient, cost effective way.

If confirmed, I look forward to participating in the process of shaping Amtrak's future. I also look forward to responding to any questions you may have, either now or in the future. Once I have had a chance to study the situation of Amtrak more carefully, I will be in a position to answer detailed questions. As I am sure you will understand, however, I am not presently about to comment in any detail on Amtrak operations, management issues, or the role of the Board.

Thank you for your attention and I look forward to your questions.

[The prepared statement and biographical information of Mr. Crandall follows:]

PREPARED STATEMENT OF ROBERT L. CRANDALL, NOMINEE TO BE A MEMBER OF THE
AMTRAK REFORM BOARD

Thank you, Mr. Chairman.

It is a pleasure to appear today before the Senate Committee on Commerce, Science and Transportation. I have a long familiarity with some of the work of the Committee, and over the years have enjoyed, on numerous occasions, the privilege of appearing before it. I am glad to be here again today.

My name is Bob Crandall, and I am President Bush's nominee to serve as a member of the Amtrak Reform Board (a.k.a. the Amtrak Board of Directors). I am here

because I believe that developing and implementing a sound U.S. transportation policy is an important task, and because I believe passenger rail should be a part of the service network by which that policy is implemented.

Having spent 40 years in the corporate world, my vantage point on Amtrak is that of a businessman. I recognize, of course, that Amtrak is a unique corporate entity which is a private corporation with a special responsibility to the public interest. If approved by this Committee and confirmed by the U.S. Senate, I will do my best to both carry out Amtrak's public mandate and to resolve its business challenges.

My understanding of Amtrak is that of an outsider, and is thus very limited. It does seem clear, however, that one of the fundamental challenges Amtrak faces is the lack of a clear and consistent policy position—approved by both the Congress and the Administration—on which to base its operations.

As I understand it, Amtrak, by law, is expected to serve as a national system. To do so, it needs substantial public resources, and the Congress and the Administration must decide whether to provide Amtrak the tools—primarily financial tools, including adequate capital and necessary subsidies—to enable it to carry out its mandate or, alternatively, to modify the mandate.

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A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names or nicknames used.)

Robert Lloyd Crandall "Bob"

2. Position to which nominated: Member of the Amtrak Reform Board.

3. Date of nomination: October 14, 2003.

4. Address: (List current place of residence and office addresses.)

Residence: Information not released to the public.

Office: The Towers at William Square, 5215 North O'Connor, Suite 1775, Irving, Texas 75039.

5. Date and place of birth: December 6, 1935; Westerly, RI.

6. Marital status: (Include maiden name of wife or husband's name.)

Margaret Jan Crandall (maiden name: Schmults); July 6, 1957–Present.

7. Names and ages of children: (Include stepchildren and children from previous marriages.)

Mark William Crandall Born 08/12/1958

Martha Conway Coleman Born 12/14/1960

Stephen Michael Crandall Born 10/08/1962

8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

Wharton School of Business & Finance/Un of PA, Philadelphia, PA

09/1958–02/1960—MBA—02/1960

University of Rhode Island, Kingston, RI

02/1955–06/1957—B.S.—06/1957

College of William & Mary, Williamsburg, VA

09/1953–02/1955—None

Barrington High School, Barrington, RI

09/1951–06/1953—H.S. Diploma

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

1973–1998—AMR Corporation/American Airlines, Fort Worth, TX

1975—SRVP-Marketing

1980—President, American Airlines

1985–1995—Chairman, President and CEO, AMR Corp/American Airlines
 March 1995 (named Don Carty President—American)
 March 1995–1998—Chairman and CEO, AMRIAA
 Retired 1998
 1972–1973—Bloomingdale Brothers, New York, NY
 Senior Vice President and Treasurer
 1966–1972—TWA, Inc.—New York, NY
 1971–1972—Vice President and Controller
 1970–1971—Vice President—Systems & Data Services
 1966–1970—Assistant Treasurer
 1962–1966—Hallmark Cards, Kansas City, MO Credit Supervisor
 1960–1962—Eastman Kodak Company, Rochester, NY

10. Government experience: (List any advisory, consultative, honorary or other part-time service or positions with Federal, State, or local governments, other than those listed above.)

07/1994 Appointed to President's Advisory Committee on Trade Policy and Negotiations (ACTPN)

11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational, or other institution.)

American International Group, Inc. Advisory Council
 Anixter, Inc. (Director)
 Celestica (Director)
 Halliburton Company (Director)
 i2 Technologies, Inc. (Director)
 Air Cell Inc. (Director)
 MilePoint.com
 eZforex.com, Inc.
 Wilton Publishing, LLC
 U.S. Helicopter
 ICTS International NV
 AirTV Limited
 FAA–MAC

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

Air Transport Association/Aviation Safety Alliance—*current*
 International Air Transport Association (IATA)
 The Business Council
 Chicago Club
 The Conference Board
 Conquistadores del Cielo
 Crescent Club
 Eastern Point Yacht Club—*current*
 The Fort Worth Club
 Frontiers of Flight Museum—*current* (on Board)
 International Air Transport Association (IATA)
 La Cima—*current*
 Lyric Opera (Chicago)
 National Association of Manufacturers
 Northwood Club
 NYSE Listed Company Advisory Committee
 President's Advisory Committee on Trade Policy and Negotiation
 SMU Executive Board of the Edwin Cox School of Business
 University of Rhode Island President's Council
 Wings Club/New York—*current*

World Travel & Tourism Council (WTIC)
 Harbour Ridge Country Club, Palm City, FL
 Piper's Landing Country Club, Palm City, FL—*current*

13. Political affiliations and activities:

- (a) List all offices with a political party which you have held or any public office for which you have been a candidate. None.
- (b) List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years. None.
- (c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$500 or more for the past 10 years. (Please see Attachment to #13(c))

14. Honors and awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievements.)

Recipient of Horatio Alger Award in 1997
 Received Honorary Doctorate from the University of Rhode Island

15. Published writings: (List the titles, publishers, and dates of books, articles, reports, or other published materials which you have written.)

From time to time, I have written Op-ed pieces for *The Wall Street Journal*, *New York Times*, *Washington Post*, *Directors & Boards*, etc. None relevant to this position.

16. Speeches: Provide the Committee with two copies of any formal speeches you have delivered during the last 5 years which you have copies of on topics relevant to the position for which you have been nominated.

None relevant to this position. However, in the role of Chairman and CEO of AMR Corporation, I authored a great many industry-related pieces. Since retiring in 1998, I've made numerous speeches through the Washington Speakers Bureau—most related to leadership skills, managing transformational change, corporate governance, security issues, etc.

ATTACHMENT TO #13(C)

Robert Crandall Political Contribution History Since 1997¹

Recipient Committee	Date	Amount
Dean For America	03/23/2003	\$500
	06/18/2003	\$500
	08/17/2003	\$1,000
Friends of Byron Dorgan	06/23/1997	\$1,000
McCain for Senate '98	05/19/1997	\$1,000
Greg Mullanax for Congress	02/23/1998	\$1,000
Kerrey for U.S. Senate Committee (Robert Kerrey)	09/07/1999	\$500
Friends of Bob Graham Committee	06/10/1997	\$1,000
	06/10/1997	\$1,000
Lipinski for Congress Committee (William Lipinski)	11/20/1997	\$1,000
Bush for President, Inc.	06/04/1999	\$1,000
Mica for Congress (John Mica)	08/26/2002	\$500
American Airlines Political	1997 \$312 per month 1/97-7/97 \$329 per month 8/97-12/97	\$3,829
	1998 \$329 per month (no contribution in August)	\$3,619
<i>Total Federal Political Contributions Since 1997:</i>		\$17,448

¹Information collected from Federal Election Commission records

17. Selection:

(a) Do you know why you were selected for the position to which you have been nominated by the President?

Secretary Mineta has been aware of my interest in sharing my transportation and management expertise.

(b) What in your background or employment experience do you believe affirmatively qualifies you for this particular appointment?

I have had broad experience in the transportation business and in the area of corporate governance.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations, or business organizations if you are confirmed by the Senate? As this position is part time, I plan to continue my present activities and will ensure that I am not faced with any conflicts of interest.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain.

I am on the following corporate Boards, which have no relationship to Amtrak or passenger rail. I plan to continue serving on these Boards while on the Amtrak Reform Board. As indicated above, I will ensure that I am not placed in a position of conflict of interest. If one should arise, I would recuse myself.

- (1) Anixter—Director, May 12, 1999 to Present
- (2) Celestica—Director, July 7, 1998 to Present
- (3) Halliburton Company—Director, Feb 20, 1986 to Present
- (4) i2 Technologies, Inc.—Director, May 23, 2001 to Present
- (5) AirCell Inc.—Director Oct 23, 2004
- (6) Serve on the Advisory Board of the American International Group
- (7) Serve on the Federal Aviation Administration MAC

3. Do you have any plans, commitments, or agreements after completing government service to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations?

See question 2 above

4. Has anybody made a commitment to employ your services in any capacity after you leave government service? No

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? Yes

C. POTENTIAL CONFLICTS OF INTEREST

1. Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients, or customers.

None applicable to this assignment

2. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated. None

3. Describe any business relationship, dealing, or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated. None

4. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy.

As Chairman of a large corporation, I appeared numerous times before Congressional Committees—both as an individual witness and on panels regarding different issues.

5. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.) No conflicts

6. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the agency to which you are nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position? Yes

D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, please explain. No

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for violation of any Federal, State, county, or municipal law, regulation, or ordinance, other than for a minor traffic offense? If so, please explain.

From 1985 through 1998, I was Chairman and CEO of AMR Corporation, and American Airlines, Inc. Prior to that time, I held various executive positions with the companies in finance and marketing. As a consequence, I was frequently a named defendant in various lawsuits brought by employees (former and current) and customers of American Airlines.

American Airlines, Inc., and I were named as defendants in a civil lawsuit brought by the United States of America on February 23, 1983, in the United States District Court for the Northern District of Texas. The complaint alleged attempted joint monopolization of airline passenger service to various cities served out of Dallas/Fort Worth in violation of Section 2 of the Sherman Act. In a decision rendered September 12, 1983, the District Court dismissed the complaint on the grounds that the conduct alleged did not violate the law. *United States v. American Airlines, Inc.*, 570 F.Supp. 654 (N.D.Tex.1983). On appeal, the United States Court of Appeals for the Fifth Circuit held that the allegations were sufficient to state a claim and remanded the case back to the District Court for discovery and trial. *United States v. American Airlines, Inc.*, 743 52d 1114 (5th Cir. 1984). The defendants filed a petition for certiorari in the United States Supreme Court, but before that petition was acted on by the Court, a settlement was reached effective October 31, 1985 pursuant to which American Airlines and I agreed to an injunction to not discuss pricing of airline passenger services with the management of any other airline. The injunction expired October 31, 1990.

Also, some time ago, I and several other individuals were named as defendants in an action brought by the FDIC because we had served as directors of RepublicBank Texas. That matter was settled in 1990.

In addition, I have been named as a defendant in various litigation matters brought by customers and employees of American airlines and its affiliates. All such suits which have been resolved to date have been concluded without any finding of liability for damages against me.

In the years since 1998, when I retired from AMR Corporation/American Airlines, I have served as a Director on various public companies, and have been named, from time to time, in lawsuits involving those companies. None of those actions have resulted in personal liability on my part.

In 1999 AMR entered a plea agreement with the United States government with respect to a one-count indictment relating to the storage of hazardous materials. As part of the plea agreement, AMR was placed on probation for three years and adopted a comprehensive compliance program. AMR was released from its probation in 2002. Although the plea agreement was agreed to in 1999, the complained of activities occurred while I was Chairman and CEO of AMR.

3. Have you or any business of which you are or were an officer ever been involved as a party in an administrative agency proceeding or civil litigation? If so, please explain.

See question 2 above.

4. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense? No

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be disclosed in connection with your nomination. None

E. RELATIONSHIP WITH COMMITTEE

1. Will you ensure that your board/commission complies with deadlines for information set by congressional committees? Yes

2. Will you ensure that your board/commission does whatever it can to protect congressional witnesses and whistle blowers from reprisal for their testimony and disclosures? Yes

3. Will you cooperate in providing the Committee with requested witnesses, including technical experts and career employees, with firsthand knowledge of matters of interest to the Committee? Yes

3. Are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so? Yes

F. GENERAL QUALIFICATIONS AND VIEWS

1. How does your previous professional experiences and education qualify you for the position for which you have been nominated?

I served for 25 years in various capacities with AMR/American Airlines, including 13 years as Chairman and CEO. This experience gave me an opportunity to become very familiar with transportation issues and with corporate management, both of which are relevant to a position as a member of the Amtrak Reform Board.

2. Why do you wish to serve in the position for which you have been nominated?
I believe that a good public transportation system is important to the vitality of the U.S. economy.

3. What goals have you established for your first two years in this position, if confirmed?

Before setting explicit goals for either myself or the organization, I want to learn more about the issues facing Amtrak from an internal perspective.

4. What skills do you believe you may be lacking which may be necessary to successfully carry out this position? What steps can be taken to obtain those skills?
None.

5. Please discuss your philosophical views on the role of government. Include a discussion of when you believe the government should involve itself in the private sector, when society's problems should be left to the private sector, and what standards should be used to determine when a government program is no longer necessary.

In general, I believe that government should confine itself to doing those things which only governments can accomplish and which cannot be satisfactorily performed by the private sector. In certain situations, such as Amtrak, where the Congress has mandated that the public interest shall be served, that directive should be taken into account.

6. Describe the current mission, major programs, and major operational objectives of the board/commission to which you have been nominated.

I do not yet know enough about Amtrak to answer this question satisfactorily.

7. What do you believe to be the top three challenges facing the board/commission and why?

The issue of how to satisfy a Congressional mandate without the security of predictable funding is one of the biggest challenges facing Amtrak. As indicated above, I would want to study Amtrak from an internal perspective before rating various other challenges facing the Corporation.

8. In reference to question number six, what factors in your opinion have kept the board/commission from achieving its missions over the past several years?

In general, it is clear that there is broad disagreement in the government about the proper role of Amtrak. As a consequence, there has been no agreed on mission statement or consistent funding, which has resulted in a less than satisfactory performance.

9. Who are the stakeholders in the work of this board/commission?

There are many stakeholders. The taxpayers—as represented by the Administration and the Congress—the traveling public, cities and states served and not served by Amtrak, Amtrak employees and the labor unions which represent them, and Amtrak's management—are all stakeholders.

10. What is the proper relationship between the position to which you have been nominated, and the stakeholders identified in question number nine?

The role of the Board, in my view, is to balance the interests of all stakeholders so as to achieve a result consistent with maximizing composite benefits.

11. Please describe your philosophy of supervisor/employee relationships. Generally, what supervisory model do you follow? Have any employee complaints been brought against you?

In general, sound supervisory/management relationships require mutually respectful interactions based on expectations of high performance, integrity and trust.

12. Describe your working relationship, if any, with the Congress. Does your professional experience include working with committees of Congress? If yes, please explain.

During my years as a senior executive, I often testified before Congressional Committees and discussed matters of interest to American Airlines with many individual members.

13. In the areas under the board/commission jurisdiction to which you have been nominated, what legislative action(s) should Congress consider as priorities? Please state your personal views.

I believe the Congress should develop a clearly defined national rail policy and pass whatever legislation is consistent with implementation of that policy.

14. Please discuss your views on the appropriate relationship between a voting member of an independent board or commission and the wishes of a particular president.

The President's views, and those of his Administration, are clearly an important part of any public policy dialogue as are the views of Congress, representatives of State and City governments and other stakeholders. Members of the Amtrak Reform Board should consider the views of all stakeholders and proceed as they think best.

The CHAIRMAN. Do you envision a hub and spoke system for Amtrak, Mr. Crandall?

Mr. CRANDALL. Senator, I do not believe so.

The CHAIRMAN. Mr. Thompson, welcome.

**STATEMENT OF LOUIS S. THOMPSON, PRINCIPAL,
THOMPSON, GALENSON AND ASSOCIATES, LLC**

Mr. THOMPSON. Thank you, Senator. Thank you very much for the opportunity to be here today. I want to express my appreciation for this hearing.

I would summarize my remarks simply by saying that I spent a lifetime in this field, a lifetime working on rail policy issues, both in freight and in passenger, and in the United States and abroad. This is an issue which, like many of you, I care passionately about, and I very much appreciate the opportunity to work on some of the resolution.

I think that, as you said, the primary challenge for Amtrak is going to be deciding what do you want it to do. That is an issue. As you may know, I was at the Department when Amtrak was formed and I remember having exactly the same argument then, without good resolution, and I think we could have the same argument today. Clearly, we are having the same argument today.

I think that if the Board can do nothing more than work with Amtrak management and with you and the Department of Transportation to get a better answer to that one question, what do you want Amtrak to do and then how can it be funded fully and adequately, I think that we would have all have made a major contribution.

What the response to this question might be in terms of reform is something that I think it is a little bit too early to say, because it will depend a lot on what you finally decide the mission for Amtrak should be. But I certainly believe that it will benefit everyone if the information that is available is made a lot clearer than it has been; that if the functions that Amtrak performs for the national system versus the Northeast Corridor versus the short haul trains, that information is clearer, and then we will know a lot more about what we are talking about and how to make the decisions that need to be made.

I also wanted to commend to you the change recently in which the Department and Amtrak have reached a kind of a contractual relationship, because I think that has gone a long way to clarifying what responsibility each has and how each can live up to it. It will make the life of a board member much easier.

Beyond that, I will pass on the microphone. But I would like again to thank you and I would like to say, any questions you have I will certainly try to answer.

[The prepared statement and biographical information of Mr. Thompson follows:]

PREPARED STATEMENT OF LOUIS S. THOMPSON, NOMINEE TO BE A MEMBER OF THE
AMTRAK REFORM BOARD

Mr. Chairman and Members of the Committee, I am honored to appear before you today, and I very much appreciate the opportunity to be considered for the Amtrak Reform Board. I have received both congratulations and condolences on the announcement of the nomination, and I think that both may be in order. The issues associated with Amtrak are among the most interesting in Washington, but the decisions the Board could face over the next few years may surely be among the most contentious, and possibly the most difficult as well. Membership on the Board will not be a responsibility to be taken lightly.

I have had a long involvement in rail passenger and freight service issues. I worked at the U.S. Department of Transportation when Amtrak was created, and I later served eight years as Director of the Northeast Corridor Improvement Project, as well as being Associate Administrator at the Federal Railroad Administration in charge of the Department's oversight of the Amtrak budget. During this time, I also acted as the Associate Administrator for Policy Development and as Deputy Administrator. I have extensive experience in rail passenger and freight issues around the world through seventeen years as the Railways Adviser at the World Bank. I have published a number of articles and spoken on many occasions in the U.S. and around the world on the issues of railway economics and reform. I believe that, as much as anyone in the country, I have proven that I support rail passenger services where they are needed and if they are provided effectively.

If confirmed, I believe that there are two roles to be played as a member of the Amtrak Reform Board. One is a continuing discussion with Congress and the DOT on rail passenger policy development, and the other is the fiduciary oversight of corporate matters. Let me address the policy question first.

The Committee has received a large number of reports and pieces of testimony—from the DOT Inspector General, from GAO, from the CBO, from the Amtrak Reform Council, from the Secretary and Deputy Secretary of DOT, and from the Federal Railroad Administrator. All have had the same import: rail passenger service will not be able to meet the needs of the country in the future absent changes at Amtrak.

Amtrak does need to change. For my part, support for change does not reflect a desire to abolish rail passenger service or to demolish Amtrak; quite the reverse, it comes from a determination to strengthen the rail passenger system, to improve the efficiency and quality of services and to reduce the cost to the taxpayer. I believe that rail passenger services have a vital role to perform in the transport system of the future and it is important that the opportunity not be missed through lack of adjustment at Amtrak.

Amtrak has never really had a stable and agreed mission, resulting in a precarious existence and unpredictable funding. I believe that a more effective agreement can be forged among the Congress, DOT, Amtrak and the stakeholders at the State and local level if Amtrak's missions are more clearly distinguished as between the "national system" long haul trains, the short haul trains, Northeast Corridor higher speed trains, Northeast Corridor infrastructure and contract commuter operations. These are distinct services performed for different customers, and each would benefit from institutional, contractual, operating and funding arrangements better tailored to the individual circumstances. Whether this implies merely improved internal accounting at Amtrak, creation of internal lines of business, establishment of Amtrak subsidiaries, or even perhaps eventual spin-off of some of the functions (or some set of all of these) should be a matter of careful thought and consultation. I know of no easy solutions, I have no *a priori* conclusions, and my experience suggests an evolutionary approach. This may be especially true because Amtrak is under stress right now, and change should not be faster than the organization can absorb. I do believe, though, that the Board should be involved in this debate.

The fiduciary role of directors has been difficult at Amtrak because everything Amtrak does (and will do) depends on public support to some degree, forcing Board members to make unclear tradeoffs between corporate interests and public benefits. The recent conclusion of an explicit grant agreement between DOT and Amtrak has clarified the Board members' role, because the interests of the corporation, as well as public interests, are more easily identified and reconciled. Indeed, these grant agreements establish Amtrak's role vis à vis DOT in a similar form to the agreements that Amtrak has with various State and local authorities to provide commuter service. Expanded use of such arrangements will offer better protection to all parties, and it will permit Board members to focus on ensuring that Amtrak operates effectively and transparently against clear and agreed objectives.

These are only broad points about a very complex set of issues that will challenge us all. I hope to have the opportunity to work with the Committee, the DOT and the Amtrak Board of Directors in trying to make progress on them.

Thank you for the opportunity to appear before you, and I welcome any questions the Committee may have.

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names or nicknames used.)
Louis Stanley Thompson (Lou).
2. Position to which nominated: Member, Amtrak Board of Directors (Amtrak Reform Board).
3. Date of nomination: October 15, 2003.
4. Address: (List current place of residence and office addresses.)

Residence: Information not released to the public.
Office: Louis S. Thompson, Principal, Thompson, Galenson and Associates, LLC, 2804 Daniel Road, Chevy Chase, MD 20815-3149.
5. Date and place of birth: May 28, 1941; Tampa, FL, USA.
6. Marital status: (Include maiden name of wife or husband's name.)
Married to Alice C. Galenson (she did not change her name). Previously married and divorced from Margaret Thompson (deceased), maiden name Cosler.
7. Names and ages of children: (Include stepchildren and children from previous marriages.)
Kim M. Thompson (32), Michael L. Thompson (29), Joel D. Galenson (17—adopted)
8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

Bartow Senior High School, Bartow, FL
MIT, 1959 to 1963, B.S. in Chemical Engineering, June 1963
Harvard Business School, 1963 to 1965, MBA, June 1965
9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

(1) The Badger Company, Cambridge, MA, and The Hague, The Netherlands, Project Engineer, June 1965 to August 1968
(2) U.S. Dept of Transportation, Office of the Secretary, Budget Analyst and Policy Analyst, Washington, D.C., Nov. 1968 to Nov. 1973
(3) Richard J. Barber Associates, Associate, Washington, D.C., Nov. 1973 to May 1978.
(4) U.S. Dept of Transportation, Federal Railroad Administration, Washington, D.C.. Director, Northeast Corridor Improvement Project (NECIP). Associate Administrator, Intercity Programs (NECIP and Amtrak Budget). Associate Administrator, Passenger and Freight Programs. Acting Deputy Administrator (6 months). Acting Associate Administrator for Policy Development (6 months). May 1978 to Oct 1986.
(5) World Bank, Washington, DC, Railways Adviser, Oct 1986 to May 2003.
10. Government experience: (List any advisory, consultative, honorary or other part-time service or positions with Federal, State, or local governments, other than those listed above.)
Member and now Chairman of Transportation Research Board Committee reviewing the R&D budget of the FRA. 1997 to present.
11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational, or other institution.)
Since retirement from the World Bank, my consulting activities have included OECD (analysis of future rail developments and regulation in Russia), Charles River Associates (analysis of world transport projections) and the World Bank (advice on rail issues in India, Bangladesh and China).
12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)
Smithsonian Associates, Washington Opera Society, Sierra Club, The Nature Conservancy, National Association of Railroad Passengers, Transportation Research Board.

13. Political affiliations and activities:

- (a) List all offices with a political party which you have held or any public office for which you have been a candidate. None.
- (b) List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years. None.
- (c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$500 or more for the past 10 years. None.

14. Honors and awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievements.)

- (1) FRA Administrator's Award for Superior Achievement (1979)
- (2) DOT Secretary's Award for Meritorious Achievement (1980)
- (3) DOT Secretary's Award for Outstanding Achievement in Promoting Equal Opportunity (1982)
- (4) U.S. Presidential Meritorious Rank Award (\$10,000) (1982)
- (5) FRA Administrator's Award for Outstanding Employee (1986)
- (5) World Bank President's Award for Excellence (1999)
- (6) World Bank Award for Excellence in Project Supervision (2000)

15. Published writings: (List the titles, publishers, and dates of books, articles, reports, or other published materials which you have written.)

Please see attachment 1 for list of publications.

16. Speeches: Provide the Committee with two copies of any formal speeches you have delivered during the last 5 years which you have copies of on topics relevant to the position for which you have been nominated.

Please see attachment 2 for speeches and papers.

17. Selection:

- (a) Do you know why you were selected for the position to which you have been nominated by the President?

I believe I was selected because of my experience and expertise in U.S. and worldwide railway issues.

- (b) What in your background or employment experience do you believe affirmatively qualifies you for this particular appointment?

In my original term at the DOT in the Office of the Secretary, I was one of the team that created Amtrak, and I was deeply involved in the development of the original Northeast Corridor Project. In my second stint at the DOT/FRA, I ran the \$2.5 billion Northeast Corridor Improvement Project for 8 years. In addition, I managed the Amtrak budget process for 6 years, and represented the Secretary of Transportation on the Board of Directors of Amtrak for two years. At the World Bank, I worked closely with rail passenger issues in nearly every railway in the world. I have written many articles and spoken in many fora around the world about the issues in railway structure and policy. During my time at the World Bank, I continued to follow Amtrak issues and have participated in many discussions about Amtrak issues from a worldwide perspective.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations, or business organizations if you are confirmed by the Senate?

I am retired from the World Bank and may (at age 65) elect to receive my Federal pension and (at 67) Social Security. I have, and will have, no other connections with employers.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain.

My wife and I own a small consulting company (Thompson, Galenson and Associates, LLC). Under this company, I have a personal services contract (up to 120 days per year as agreed) with the World Bank. Through this company I have also done consulting for other clients (OECD and Charles River Associates). I intend to continue doing this type of private consulting subject, of course, to any conflict of interest with Amtrak Board duties. I will inform Amtrak Counsel and the Board of all consulting activities and be governed by their decision if they believe it constitutes an appearance of conflict of interest. Moreover, I will not allow my consulting to interfere with Amtrak Board duties. Since the Amtrak Board is neither full time

nor compensated, I do not believe I am required to restrict my professional activities solely to Amtrak, subject to being sure to avoid conflicts of interest or divulging confidential information.

3. Do you have any plans, commitments, or agreements after completing government service to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations?

I have no such plans or commitments.

4. Has anybody made a commitment to employ your services in any capacity after you leave government service? No.

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients, or customers. None.

2. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

As discussed above, I will continue doing personal consulting so long as it does NOT involve any conflict of interest with my Amtrak responsibilities. Other than this, I have no other investments, obligations, liabilities or other relationships that could involve a potential conflict of interest.

3. Describe any business relationship, dealing, or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated. None.

4. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. None.

5. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.)

As stated, I will keep the Amtrak Board and Amtrak Counsel informed of all consulting activities I may do and will be governed by their decision if they find any possibility of an appearance of conflict of interest between my consulting and my Amtrak Board duties.

6. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the agency to which you are nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position?

Yes. In fact, the designated ethics official at Amtrak has cleared me of any conflict of interest on the grounds above. I should add that I have been offered a position on the Board of Directors of a private freight railroad (Rail America). This offer was discussed with the Amtrak ethics officer and the White House Conflict Counsel. I agreed to terminate any contact with this company if confirmed to the Amtrak Board. I have informed Rail America of this decision and we have, by agreement, suspended any further discussion of membership on their Board until action on my nomination to the Amtrak Board has been taken by the Senate.

D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, please explain. No.

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for violation of any Federal, State, county, or municipal law, regulation, or ordinance, other than for a minor traffic offense? If so, please explain. No.

3. Have you or any business of which you are or were an officer ever been involved as a party in an administrative agency proceeding or civil litigation? If so, please explain. No.

4. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense? No.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be disclosed in connection with your nomination. None.

E. RELATIONSHIP WITH COMMITTEE

1. Will you ensure that your board/commission complies with deadlines for information set by congressional committees?

I will do whatever is within my power (I would be only one vote out of seven) to ensure that all deadlines for information are met.

2. Will you ensure that your board/commission does whatever it can to protect congressional witnesses and whistle blowers from reprisal for their testimony and disclosures? Yes.

3. Will you cooperate in providing the Committee with requested witnesses, including technical experts and career employees, with firsthand knowledge of matters of interest to the Committee? Yes.

4. Are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so? Yes.

F. GENERAL QUALIFICATIONS AND VIEWS

1. How does your previous professional experiences and education qualify you for the position for which you have been nominated?

My degrees in engineering and management are a good background for dealing with the technical and financial issues involved in managing Amtrak. My experience in the U.S. Government and in private consulting with economic regulation of transportation is a good basis for understanding the legal and competitive issues that Amtrak will face. Having managed the North East Corridor Improvement Project (NECIP), I am intimately familiar with the technical, operational and financial challenges involved in owning and operating the NEC. Managing NECIP also made me closely familiar with all of the State and local agencies (and objectives) involved in the NEC. My involvement in the creation of Amtrak and subsequent oversight of the Amtrak budget has made me familiar in detail with the Amtrak route structure and the political and financial issues involved. Seventeen years at the World Bank dealing with passenger and freight issues worldwide have given me a unique perspective on rail policy issues which I believe will be valuable in membership on the Amtrak Board.

2. Why do you wish to serve in the position for which you have been nominated?

I have a 35 year career in transport issues, particularly rail freight and passenger questions. I was in on the creation of Amtrak and I have followed its development ever since. I am now retired and have the time and expertise to devote to the Board. I care very deeply about rail passenger (and freight) development in the U.S., and I would like to be involved in shaping Amtrak's future.

3. What goals have you established for your first two years in this position, if confirmed?

I do not think that a single member of a 7 member Board can establish goals for the corporation. If confirmed, my personal areas of emphasis will be on clarifying the missions of Amtrak and improving Amtrak's effectiveness in fulfilling those missions.

4. What skills do you believe you may be lacking which may be necessary to successfully carry out this position? What steps can be taken to obtain those skills?

I believe I have all the skills needed. What I do hope to do, if confirmed, is gain a much deeper understanding of the current physical condition and problems of the system. This will require a significant allocation of time at the outset to inspect facilities and meet with Amtrak, State and local officials.

5. Please discuss your philosophical views on the role of government. Include a discussion of when you believe the government should involve itself in the private sector, when society's problems should be left to the private sector, and what standards should be used to determine when a government program is no longer necessary.

This is not an easy question to answer succinctly. I have an engineering degree, a business degree, a lot of economics training, 8 years in the private sector in engineering and economic consulting, 13 years with the U.S. Department of Transportation, and 17 years in the non-governmental public sector (World Bank). have held responsible managerial positions in public and private sectors and have extensive experience in both.

I suppose it would be fair to say that I have gradually acquired heterodox rather than dogmatic views. Philosophically, I believe first in the rights and responsibilities of individuals: nothing replaces individual initiative and personal responsibility. I believe that most commercial activity should be the responsibility of an ethically managed, effectively regulated private sector. I believe that the realm of government includes those things that individuals or groups cannot or will not do for themselves, including public goods such as defense, law enforcement, public health, labor

safety and working conditions, economic regulation and infrastructure planning on a national or State scale, to mention only a few.

As regards rail passenger service specifically, there is both a public and a private set of objectives. On the private side, Amtrak and the commuter rail agencies compete in a transportation market with cars, taxis, buses and airplanes. Depending on the speed, frequency, cost, and reliability, of the choices, passengers will make their decisions, and the market will produce an efficient solution. At the same time, this market may have external effects, such as noise, air and water pollution, traffic congestion, security, accidents, or others, which cannot readily be managed by the private sector. I think it is a proper role of government to intervene, by regulation, tax or subsidy, to ensure that these external effects are minimized. This does not answer the question of whether in specific cases the potential social benefits are worth the costs in taxes and subsidies; this is a responsibility of government as well.

I wish I could provide good standards as to whether a government program either has finally become necessary or is finally no longer needed, but I cannot. This is partly because benefits and costs are hard to measure, and partly because one person's benefit is another person's cost. I do believe that the best way to support good decisions is in forcing clarity of definition of costs and benefits and putting emphasis on measuring and reporting them as well as possible.

6. Describe the current mission, major programs, and major operational objectives of the board/commission to which you have been nominated.

Amtrak currently operates all of the intercity passenger trains in the U.S. and is subsidized by the Federal Government and (to a lesser degree) State governments in doing so. I believe that Amtrak actually has three different types of mission: Northeast Corridor infrastructure, long haul passenger trains and short haul passenger trains. Amtrak is proposing a large and extended program of investment in recovering from deferred maintenance in rolling stock and in the Northeast Corridor infrastructure. Each of these missions or programs has different customers, costs and benefits. In each, the objective is (or should be) improving the quality of service and reducing the cost to government(s) of the rail passenger services they need.

7. What do you believe to be the top three challenges facing the board/commission and why?

First, clearly defining the different functions that Amtrak performs (NEC, long haul and short haul trains), and getting agreement with Congress and the States on this definition.

Second, achieving the right balance of responsibility (planning and funding) among Amtrak, the Federal Government and the various State and local governments.

Third, ensuring that the agreed missions are matched by adequate funding to permit stable and effective management over a reasonable period of time.

8. In reference to question number six, what factors in your opinion have kept the board/commission from achieving its missions over the past several years?

Amtrak has been handicapped from its very beginning by confusion over what it was supposed to do and who was supposed to pay. The past few years, in particular, have been troubled by the requirement that Amtrak "break even" without an agreed definition of break even, or on the consequences if Amtrak did not do so. I believe that this issue will only be resolved when Amtrak's mission is agreed and the availability of adequate financial resources, including subsidy and capital support by appropriate levels of government, is stabilized.

9. Who are the stakeholders in the work of this board/commission?

Amtrak has many stakeholders. First, of course, there are Amtrak's passengers. The Congress and the U.S. DOT (both FRA and FTA) are the largest financial stakeholders. Amtrak provides service in all but four States, so most State governments are stakeholders. There are a number of traditional interest groups such as the National Association of Railroad Passengers (NARP), the American Public Transportation Association (APTA), the Association of American Railroads (AAR), and the Coalition of Northeast Governors (CONEG), among many others. There are a number of equipment suppliers such as Alstom, Bombardier, General Motors (EMD), General Electric, Taiga, Siemens and the Railway Progress Institute. There are the freight railroads over whose tracks Amtrak operates (20 or so). There are 13 States with which Amtrak contracts to provide 8 commuter rail services. Amtrak operates major intermodal facilities (bus/rail as well as airport connections) in 15 cities. Amtrak has 15 labor unions. There are four holders of Amtrak's common stock, and there are a large number of financial institutions holding Amtrak's debts and leases.

10. What is the proper relationship between the position to which you have been nominated, and the stakeholders identified in question number nine?

The basic relationship vis à vis all of these stakeholders is to be accessible, to listen carefully and to try to find ways to meet their objectives consistent with Amtrak's mission and resources. This said, there is a distinction between a Board member and the Chief Executive of Amtrak: if confirmed, I hope to spend my time on missions and policies and will try not to interfere in the day-to-day operation of the company unless appropriate to do so.

11. Please describe your philosophy of supervisor/employee relationships. Generally, what supervisory model do you follow? Have any employee complaints been brought against you?

I have always tried to treat employees with respect and have encouraged all Employees to take on a maximum degree of responsibility consistent with their position and capabilities. Fundamentally, managers lead, set policies and objectives, and obtain resources: they must rely on their employees to get things done. I have never had an employee complaint brought against me. In fact, at the FRA, I received a number of awards for effective management and promotion of equal opportunity.

12. Describe your working relationship, if any, with the Congress. Does your professional experience include working with committees of Congress? If yes, please explain.

As an Associate Administrator at the FRA and Director of the Northeast Corridor Improvement Project, I worked extensively with Senate and House Commerce Committees and with Senate and House Appropriation Committees. I have testified many times at both authorization and appropriation hearings. I have always tried hard to be accessible to committee staff and to members when requested. If confirmed, I will continue to try to do so.

13. In the areas under the board/commission jurisdiction to which you have been nominated, what legislative action(s) should Congress consider as priorities? Please state your personal views.

I believe that Congress and the Administration will need to clarify the expectations of Amtrak's future missions, and will need to ensure that the resources available to Amtrak are adequate. This involves: (a) defining which things Amtrak will be doing in each of its major activities (NEC, long haul trains and short haul trains, contract operations for others, non-rail activities); (b) deciding at which level of government(s) each of these should be planned and funded; (c) deciding the roles of Amtrak versus other possible rail passenger service providers (Amtrak, private operators, local governments); and, (d) deciding who pays and how (passenger fares, Federal shares, State or local shares, and non-rail revenues).

14. Please discuss your views on the appropriate relationship between a voting member of an independent board or commission and the wishes of a particular president.

Amtrak Board members must give careful consideration to the views and proposals of the President, just as they must consider the views of Congress. At the same time, perhaps uniquely with Amtrak since it is a *corporation*, members of the Board have a fiduciary role that gives them legal responsibilities (and personal liabilities) that can only be overridden by legislation or Court decisions. I would like to make it clear that, if confirmed, my votes on the Board will be decided by what I think is in the interest of the corporation, based on my best judgment, and after taking the advice and wishes of the President and the Congress into full consideration.

The CHAIRMAN. Thank you very much.
Mr. Hall, welcome.

**STATEMENT OF FLOYD HALL,
FLOYD HALL ENTERPRISES, LLC**

Mr. HALL. Good morning. Thank you. Mr. Chairman, it is a pleasure to be here today to be considered for appointment to the Amtrak Board. My comments are going to be very brief, primarily because my knowledge of Amtrak's history, its failures, its needs, its opportunities and potential is very, limited, in fact limited to my first in-depth discussions on Amtrak took place yesterday morning. I very much enjoyed hearing the comments made this morning, as well as those meetings that I had yesterday that shed a lot of light on this problem.

I would like to say that, first of all, I believe in Amtrak and its future, and I want to assure you that if I am confirmed I am going to approach this directorship with an open mind and I will do my utmost to contribute to this Board, and I am very pleased to be sitting here with two such outstanding experts in the field of transportation. I think that this Board will approach all of the decisions with commonsense and review the issues in great detail, and I am hopeful that I will be able to make a significant contribution to the board and to the efforts of the management team.

So thank you very much. I would be happy to answer any questions, but, as I said, I think my insight on any questions is going to be very limited.

Thank you.

[The biographical information of Mr. Hall follows:]

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names or nicknames used.) Floyd Hall; also known as Leo Floyd Hall.

2. Position to which nominated: Member of the Board of Amtrak.

3. Date of nomination:

4. Address: (List current place of residence and office addresses.)

Residence: Information not released to the public.

Office: Floyd Hall Enterprises LLC One Hall Drive, Little Falls, NJ 07424.

5. Date and place of birth: September 4, 1938; Duncan, Oklahoma.

6. Marital status: (Include maiden name of wife or husband's name.)

Married to Janet Lee Phillips July 20, 1957

7. Names and ages of children: (Include stepchildren and children from previous marriages.)

Son—Larry F. Hall, age 44; Daughter—Karen D. Visceglia, age 42

8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

Bakersfield High School graduate

Southern Methodist University attended Adult Evening Classes in 1971 and 1972

Harvard Business School Advanced Management Program attended June to September 1976

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

August 1956—Department Manager/Salesman Montgomery Ward—Bakersfield, CA

September 1966—National Sales Manager Montgomery Ward—Chicago, IL

February 1970—Regional Vice President Singer Company—Dallas, TX

September 1974—President and Chief Executive Officer B. Dalton Bookseller—Minneapolis, MN

January 1981—President and Chief Executive Officer Target Discount Stores—Minneapolis, MN

April 1984—President and Chief Executive Officer/Minority Owner Grand Union Supermarkets—Wayne, NJ

September 1988 Sold Grand Union and Retired from Corporate Management

From May 1989

1. Founded and Served as CEO

A. The Museum Co—Wayne, NJ

2. Purchased and Served as CEO

A. Alva Museum Replicas

B. Glassmasters Stained Glass Manufacturing Co.

3. Held Majority or Minority Interest in:

- A. The Safety Zone—Retail Stores
- B. Lynx Technology—International Tele Comm. Co.
- C. Kenwood Productions-Video Producers of WWII Docudramas

June 1995 to May 2000—Chairman, President and Chief Executive of K-Mart Corporation located in Troy, Michigan

June 2000 to present—Founded Floyd Hall Enterprises LLC owner and operator of a sports organization consisting of a professional baseball team, ice arenas and an equestrian facility.

10. Government experience: (List any advisory, consultative, honorary or other part-time service or positions with Federal, State, or local governments, other than those listed above.) None.

11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational, or other institution.) Member of the Board of Directors of the following mutual funds:

- American Eagle Capital Appreciation Fund
- American Eagle Large Cap Growth Fund
- American Twenty Fund
- Jundt Growth Fund
- Jundt Opportunity Fund
- Jundt U.S. Emerging Growth Fund
- Jundt Mid Cap Growth Fund
- Jundt Science & Technology Fund
- Jundt Twenty-five Fund

Chairman of the Board and Chief Executive of the following:

- Floyd Hall Enterprises LLC
- Hall Sports Enterprises LLC
- Eagle Ice Sports Enterprises LLC
- Eagle Sports Management LLC

Member of the Board of Directors of the following nonprofit organizations:

- Community Anti-Drug Coalition of America
- Committee for Corporate Philanthropy

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

Member Montclair Golf Club, Member Card Sound Golf Club, Class Secretary AMP76 Harvard Business School

13. Political affiliations and activities:

(a) List all offices with a political party which you have held or any public office for which you have been a candidate. None

(b) List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years: None.

(c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$500 or more for the past 10 years.

July 1996	Zimmer for Senate	\$1,000
August 1996	NJ State Republican Party	25,000
August 1996	Republican Nat'l. Comm	75,000
Feb. 20, 1997	Victory 1997	10,000
Feb. 26, 1997	Michigan Nat'l.	4,200
Sept. 29, 1997	Election Friends	500
Nov. 21, 1997	Tom Longmack	1,000
Jan. 23, 1998	Rich Smith for Congress	500
Feb. 2, 1998	Engler for Governor	6,800
Nov. 5, 1998	NJ Republican State Comm	10,000
Oct. 25, 2000	Governor Engler of Michigan	10,000
Nov. 1, 2000	Town MI	25,000
Nov. 6, 2000	RNC Team 200	75,000
Dec. 1, 2000	Bush Cheney Recount	5,000
March 5, 2001	DiFrancesco for Governor	5,200.

May 1, 2001	NJ State Republican Comm	20,000
Sept. 28, 2001	Boughton for Mayor	1,000
Dec. 18, 2001	Republican Nat'l Comm	25,000
April 16, 2002	Republican Nat'l Comm	225,000
April 24, 2002	Republican Party of Fla	25,000
June 10, 2002	Coleman for U.S. Senate	2,000
June 10, 2002	Talent for Senate	2,000
June 10, 2002	Friends of Mike Ferguson	1,000
June 12, 2002	John Thune for South Dakota	1,000
Oct. 11, 2002	Friends of Pataki	25,000
Oct. 17, 2002	Garrett for Congress	500
Dec. 20, 2002	Committee to Reelect Mgmt	1,000
July 2, 2003	Council 2003	1,000

14. Honors and awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievements.)

Honorary Doctorate Degree, Montclair State University 2000

Humanitarian recognition by:

The Center on Addition and Substance Abuse at Columbia University
 The Archdiocese of New York
 The American Paralysis Association
 The Hugh O'Brien Foundation
 D.A.R.E America
 March of Dimes
 Give Kids the World
 National Retailer of the Year 1999

15. Published writings: (List the titles, publishers, and dates of books, articles, reports, or other published materials which you have written.) None

16. Speeches: Provide the Committee with two copies of any formal speeches you have delivered during the last 5 years which you have copies of on topics relevant to the position for which you have been nominated. None

17. Selection:

(a) Do you know why you were selected for the position to which you have been nominated by the President?

White House personnel apparently felt my 30 years as chief executive officer of four major corporations would be beneficial to Amtrak's strategic, organizational and financial planning and more importantly its operational and financial performance.

(b) What in your background or employment experience do you believe affirmatively qualifies you for this particular appointment?

I have significant turnaround experience. As CEO of Grand Union Supermarkets, a \$4 billion, 400-store retail chain, I repositioned the Company's strategic direction, changed the culture and reversed several years of significant losses (\$150 million per year). The Company returned to profitability in 9 months and attained industry-leading profitability two years later.

In 1995, after 7 years of corporate retirement, I was recruited by the Board of Directors of Kmart to orchestrate the largest turnaround in retail history. Kmart with its 275,000 employees, \$36 billion in annual revenues and 2,100 stores was literally on the brink of bankruptcy. In one year, we restructured the balance sheet, divested \$5 billion in non-core assets and returned to profitability. From 1997 to 2000 we compounded earnings at a 30 percent annual rate by attaining 15 consecutive quarterly earnings gains. Profits were used to reduce debt (by \$1 billion), repurchase stock and for capital expenditures. With the Company in solid financial position, I retired in June 2000.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations, or business organizations if you are confirmed by the Senate?

Yes, other than the businesses I own, which will continue to be operated by my son.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain. No

3. Do you have any plans, commitments, or agreements after completing government service to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations? No

4. Has anybody made a commitment to employ your services in any capacity after you leave government service? No

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? Yes

C. POTENTIAL CONFLICTS OF INTEREST

1. Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients, or customers. None

2. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated. None

3. Describe any business relationship, dealing, or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated. None

4. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. None

5. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.)
Not applicable

6. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the agency to which you are nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position? Yes

D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, please explain. No

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for violation of any Federal, State, county, or municipal law, regulation, or ordinance, other than for a minor traffic offense? If so, please explain. No

3. Have you or any business of which you are or were an officer ever been involved as a party in an administrative agency proceeding or civil litigation? If so, please explain. No

4. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense? No

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be disclosed in connection with your nomination. None

E. RELATIONSHIP WITH COMMITTEE

1. Will you ensure that your board/commission complies with deadlines for information set by congressional committees? Yes

2. Will you ensure that your board/commission does whatever it can to protect congressional witnesses and whistle blowers from reprisal for their testimony and disclosures? Yes

3. Will you cooperate in providing the Committee with requested witnesses, including technical experts and career employees, with firsthand knowledge of matters of interest to the Committee? Yes

4. Are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so? Yes

F. GENERAL QUALIFICATIONS AND VIEWS

1. How does your previous professional experiences and education qualify you for the position for which you have been nominated?

Please see response to A. 17 above

2. Why do you wish to serve in the position for which you have been nominated?

I am aware of Amtrak's enormous subsidies and yet I believe Amtrak fills a significant void in our Nation's transportation needs. Hopefully I can assist the Board and management in making it substantially more efficient.

3. What goals have you established for your first two years in this position, if confirmed?

First, to acquire an in-depth knowledge of Amtrak's history, failures, current problems and needs as well as its areas of opportunity and second, to contribute to accomplish the goals and objectives of the board.

4. What skills do you believe you may be lacking which may be necessary to successfully carry out this position? What steps can be taken to obtain those skills?

I believe I have the skills, but my knowledge of Amtrak's strengths, weaknesses and potential is lacking.

5. Please discuss your philosophical views on the role of government. Include a discussion of when you believe the government should involve itself in the private sector, when society's problems should be left to the private sector, and what standards should be used to determine when a government program is no longer necessary.

Philosophically, I believe that government's primary role is to provide programs and services that are beyond the administrative or financial capabilities of the private sector. A listing of some of these programs and services includes protecting our individual rights and liberties, national defense, social security, public health, law enforcement and energy management to name a few.

I believe government should occasionally be involved in the private sector, but generally it should be limited to only those times when the majority of Congress agree to the need for a given program, project or service. I have great confidence in the private sector's ability and social conscience. Their focus is dictated by the demanding performance criteria used to measure the commercial feasibility of most investments. Their efforts, balanced with government oversight and regulation help assure ethical and accurate management practices.

Unfortunately, I have no experience or recommendation as to what standards should be used to determine when a government program should be eliminated.

6. Describe the current mission, major programs, and major operational objectives of the board/commission to which you have been nominated.

As of this date, primarily because of conflicting schedules, I have not been briefed on Amtrak's mission, objectives, challenges or history.

7. What do you believe to be the top three challenges facing the board/commission and why?

Please see F. 6.

8. In reference to question number six, what factors in your opinion have kept the board/commission from achieving its missions over the past several years?

Please see F. 6.

9. Who are the stakeholders in the work of this board/commission?

Please see F. 6.

10. What is the proper relationship between the position to which you have been nominated, and the stakeholders identified in question number nine?

Please see F. 6.

11. Please describe your philosophy of supervisor/employee relationships. Generally, what supervisory model do you follow? Have any employee complaints been brought against you?

I believe in teamwork. Begin with an honest and candid discussion of the issues, proceed to collective agreement on the plans of action, and a clear understanding of individual responsibilities, followed by an allocation of the resources needed, and lastly, frequent review of the individual's and team's progress on the action plans.

I believe all employees want to do a good job and are motivated by high standards. People fail when they don't understand what is expected of them, don't have the training or resources to do the job, are afraid to ask for help and are not redirected when they get off course.

I've never had a complaint filed against me and have always tried to treat every associate with respect.

12. Describe your working relationship, if any, with the Congress. Does your professional experience include working with committees of Congress? If yes, please explain. None

13. In the areas under the board/commission jurisdiction to which you have been nominated, what legislative action(s) should Congress consider as priorities? Please state your personal views.

Please see F. 6.

14. Please discuss your views on the appropriate relationship between a voting member of an independent board or commission and the wishes of a particular president.

As Amtrak is a corporation, a board member must be fully cognizant of his legal and fiduciary responsibilities. In addition he has an obligation to fully immerse himself in the problems and opportunities of the company, its mission and the worthiness of the enterprise. Votes on the board can then be based on objective rationale and good judgment. Certainly the wishes of a particular president must be fully considered and with the knowledge that his viewpoint is framed with information, priorities and opinions of the highest caliber. His wishes should be honored to whatever degree possible without a board member compromising his values or obligations.

**STATEMENT OF HON. GORDON H. SMITH,
U.S. SENATOR FROM OREGON**

Senator SMITH [presiding]. Thank you very much, gentlemen. We do appreciate your being here and your willingness to serve.

Given that Senator McCain, Chairman McCain, has given me the gavel, I will ask that my full statement be put in the record and in the interest of time turn to the Ranking Member, Senator Hollings.

Senator HOLLINGS. Thank you very much, Mr. Chairman.

Mr. Thompson, do you think the Nation needs a national passenger rail service or system, and do you think the Nation can afford it?

Mr. THOMPSON. I think the question of whether the Nation needs it was decided in about 1970 and I am not sure that there has ever been a change in the answer to that question. Yes, the Nation does want a national system of passenger trains, for a lot of reasons.

Can the Nation afford it? I cannot imagine that the Nation could not afford to pay for something that it wants.

Senator HOLLINGS. Very good. How about you, Mr. Hall?

Mr. HALL. I certainly agree that it needs it, and I believe that we can afford it. I do not know what necessarily "afford it" means, but yes.

Senator HOLLINGS. Well, and Mr. Crandall has already indicated that we need it, we can afford it, and I am looking forward to supporting your appointment and working with you.

Knowing that, let me give it to you straight: You are lucky you are not brought on to find a new director or administrator or president or whatever he is of Amtrak. We are lucky we have Mr. David Gunn. He is thoroughly experienced, absolutely fair, has the confidence of the White House and has the confidence of all sides here in Congress.

Now, he comes up with a bare bones budget before this Committee for \$1.8 billion. He knows he has cut back and cut back and everything else, but he says: Here is what I need. And incidentally, he tells his Board and carries to them a track that is half worn out, and he says: "We have got lengths of this in the system that absolutely have got to be repaired immediately." He talks about the cable systems underneath the tunnel there going into New York, three of them. One of them is already broke, the other one was broke and been repaired, and we have only got one good one since 1935. He says the repaired one, up in Canada their experience was it is not going to last more than 6 months.

He said: "I have got to have the money to get these rails, these cables, get this operation, get this repair and maintenance going. So I am going to ask for at least \$1.8 billion." I said: "What does the board say? The board, he said, they just look at me."

I hope you can do better, because we have not heard from the board in support of Mr. Gunn since I have been here.

Second, I said: "What about the Administration?" He said: "They cut me in half and recommend \$900 million, just half of what I am asking for."

So he comes before this Committee and we—the House gives him the \$900 million. That is all they give him. So at the present minute what we have is we passed in the Senate, struggling, \$1.3 billion plus forgiveness of \$100 million or really \$1.4 billion. He is still short, but he says: "Unless I get that \$1.4 billion, I am going to have to come back early next year for a supplemental. Otherwise it is just going to have to close down."

Now, nobody doubts the competence of Mr. Gunn and his dedication to trying to get this thing done. I hope you can get with him and support him and then thereby support us, because that is the pillar to post. Just like the distinguished Chairman said, in 32 years they got \$26 billion. He does not like railways to go broke, but he loves airlines, Mr. Crandall, to go broke. We have already given them in 2 years \$30 billion and they are still all going broke. So we all enjoy airlines going broke, but we resent railroads going broke.

Come on, we have got to get with the program here. I appreciate your answer because if you believe in a national rail system, Senator Hutchison does and the other Senators here believe in it, and their States are putting out money, and I am trying to get the State support right now to get a real system going.

So look at it. Talk to Mr. Gunn and then help us help Amtrak.

Thank you, Mr. Chairman.

Senator SMITH. Senator Hollings, I wonder if you would yield to a question, because I think it follows onto what you are asking them. Is it not true that what really divides Senators on the issue of Amtrak is whether or not Amtrak is a business or whether Amtrak is a public service?

Senator HOLLINGS. Amtrak has got to be a public service. That is the experience the world over. We never have known—the railroads had it in the beginning. Mr. Thompson, you know about railroads. They had the passenger rail service after World War II. They had it exclusively, and in 1970 they said: Here, you take the passenger cars, take the system, and everything; we give it to you, because we cannot make it.

Senator SMITH. Would you ask them, Senator Hollings, whether they think it is a public service or a business?

Senator HOLLINGS. Do you think it is a public service or a business? Mr. Crandall, what is your answer?

Mr. CRANDALL. I am going to ask you a question back, Senator.

Senator HOLLINGS. Sure.

Mr. CRANDALL. I think, for example, that every function of government should be run like a business, in this sense: I think every enterprise, whether it is a business or a function of government,

should keep its books accurately. I think every function of government and every business should administer its affairs carefully.

Now, if you are a business you have to make a profit. Passenger rail service can never be profitable and it never will be profitable. So as I said in my opening remarks, in my view Congress and the Administration, which I think are the shareholders in a sense of this corporation, have a responsibility to decide on a consistent plan what is it you want Amtrak to do, and then you have a responsibility to provide the needed funds.

We have a responsibility to be sure that those funds are spent in a businesslike way. They should be spent efficiently. Every dollar should be accounted for, and we should tell you the truth. In that sense, it is a business.

But in terms of whether it is profitable, passenger rail is not and will not and cannot be profitable. If we want a passenger rail system, then we have to provide it as a function of government.

Senator HOLLINGS. Have you ever talked to the President about Amtrak?

Mr. CRANDALL. I have not.

Senator HOLLINGS. Please do.

I will take it, Mr. Hall, you and Mr. Thompson both agree with Mr. Crandall's comments there or response?

Mr. THOMPSON. I wanted to add, Senator, that in fact Amtrak is a little bit of both. It serves a public need which you define, but I hope it is operated like a business so that it is operated effectively and efficiently. That is why I said that the new grant agreement or contractual arrangement between Amtrak and DOT is actually a very good thing, because it permits Amtrak to serve a defined public requirement, but to do it in a much more effective way than it has in the past.

Senator HOLLINGS. Good answer.

Mr. Hall?

Mr. HALL. I agree.

Senator HOLLINGS. Thank you very much, Mr. Chairman.

Senator SMITH. Thank you, sir.

Senator Hutchison.

Senator HUTCHISON. Thank you, Mr. Chairman.

I will say that normally I would be chairing this Committee when Senator McCain left, and he asked me to, but I have to go manage the floor. So I am very pleased that Senator Smith has agreed to do it.

Before I leave, I would just like to talk about the amount of funding Amtrak needs. I appreciate what all of you are saying, that passenger rail is a government service and will not be profitable. There are people in Congress who actually believe it should be operationally self-sufficient. As long as there are people who believe that, then there are people who are going to say we must eliminate it because it is not operationally sufficient, self-sufficient.

So let me say this. The administration asked for \$900 million, as Senator Hollings said, and the Senate was able to get \$1.3 or \$1.4 billion, which David Gunn said is the absolute minimum level needed to continue operating. But right now in the conference committee the amount stands at the House level of \$900 million.

Do you believe that we can go forward in any responsible way for another year with \$900 million for Amtrak, from what you know so far? All three of you, please. Mr. Crandall?

Mr. CRANDALL. Well, Senator, the fact is I have not had an opportunity to look at the numbers, so there is simply no way I can comment because I do not know the numbers. Let me start with a presumption. If you start with the presumption—I have heard a lot of praise from both sides of the aisle about David Gunn. If you start with the presumption that David Gunn's numbers are correct, that the \$1.8 billion is required to do two things—first, to provide the operational subsidy; and second, to make the capital investments that he believes are essential. If you start with the presumption that those numbers represent real minimums and that they are honest numbers, then obviously you cannot get by with \$900 million without not doing something.

Senator HUTCHISON. Mr. Hall?

Mr. HALL. I agree, I do not know enough to really comment on it intelligently. It does seem to me that if management has submitted that much larger budget, it was submitted because of a rationale that the management team has put together over a period of time. My inclination would be to listen to the management team until I knew better.

Senator HUTCHISON. Mr. Thompson?

Mr. THOMPSON. I too, do not want to comment on \$1.8 billion versus \$.9 billion. What I will tell you is that I am going to make a major effort to find out what those numbers mean and what is really behind them.

But I would also say that this is another example of where we have been in past years of pay me now or pay me later. It is possible that Amtrak could scrape through on some number that is less than \$1.3 billion or maybe even around \$1.0 billion, but all that does is buy a more serious problem in the future.

If you really want this to be stable, if you really want it to perform the service that you want it to perform, then you cannot keep on postponing the problem year after year. At some point it has to be fixed.

Senator HUTCHISON. Let me ask just one more question. In the past, we have never separated infrastructure costs and operational subsidy. Because some argue we should not have operational subsidies, funding has come in a lump sum. I think it is time for us to assess and address capital expenditures versus operational subsidies, and I think you are providing a dose of reality here.

The legislation that I have introduced, which has bipartisan support—there are some differences on the Democratic side regarding some of the union issues, but in large part it does have bipartisan support, has Senator Lott as a major co-sponsor. It also has bonding authority for infrastructure investment to give Amtrak a chance to succeed.

I would ask you if you think that bonding for infrastructure, as we use in highway and airport construction, is also valid for rail infrastructure, and would you be—I am not saying are you supporting my bill, but would you be generally supportive of this bifurcation of infrastructure needs and operational subsidies? Mr. Crandall?

Mr. CRANDALL. Well, I think bonding, of course, is just another way of borrowing money. I think it would be perfectly fine for Amtrak to borrow money. I suspect, however, that if we are going to provide bonding authority that the Congress should decide how it is going to provide a dedicated stream of revenue to Amtrak.

You have to keep in mind that every time you borrow money your operational subsidy has to go up, because now you have got to take out of your operational subsidy the money required to pay back both the debt that you have incurred and the interest on that debt. So yes, you can borrow money as an alternative to getting an allocation of funds from Congress, but at the same time you have to recognize that each dollar you borrow has to be paid back and that is going to increase the operational deficit.

Senator HUTCHISON. Mr. Hall?

Mr. HALL. I think clearly I agree with separating the operational funding needs from the capital expenditure needs. I think both of those really need by the Board diligent study and the Board should be looking for improvements in the operational issues to fund those needs that are pretty obvious for the capital expenditures.

As to how it is funded, I really cannot comment. I think there are a lot of people much more capable of commenting on that than I am.

Senator HUTCHISON. Mr. Thompson?

Mr. THOMPSON. Senator, you made one point that I would I think like to stress also, and that is infrastructure in this case includes the Northeast Corridor and then it includes rolling stock and other infrastructure that Amtrak has. I really do think that it is critical to distinguish these financially because otherwise I do not think we will be able to show people what is the money going for and are you really getting your money's worth. So I completely agree with you that clarity on that regard is really important.

On the funding, I guess I have the same feeling that Mr. Crandall does, that the issue is how does it get paid back. You can be clear that the operation of Amtrak will not generate the money required to pay anything back. That will have to be part of the funding stream that Congress provides or that is provided for in the way that the bonding is done.

Senator HUTCHISON. Well, we do have a mechanism in the bill—I will not go into it now—that might be helpful. But I would encourage you to look at that and other alternatives and just give us advice.

I thank you very much, Mr. Chairman.

Senator SMITH. Thank you, Senator Hutchison.

Senator LAUTENBERG.

Senator LAUTENBERG. Thanks, Mr. Chairman.

I, like the three of you, have had boardroom experience and worked hard to build a company and know a lot of the questions that I would ask myself. None of you have had any discussions with David Gunn?

Mr. CRANDALL. Correct.

Senator LAUTENBERG. I would like to think, Bob Crandall, that if you were—and I know you are on a lot of boards. Would you not typically—if I was Chairman of ADP again, as I was, and I invited you to come to the Board, I would sit down with you, have lunch

or dinner or schedule a chat. Frankly, I am surprised that not one of the three of you did—you did talk?

Mr. THOMPSON. I have met with David Gunn, Senator.

Senator LAUTENBERG. OK. You did not come from the corporate world.

You would not have had a chance to look at the operating conditions, have it reviewed, before you are put in these chairs to make a decision about whether or not this ought to happen, that ought to happen. So I would commend to you that you get to know something about it so that you can answer a question: Is \$900 million good, is \$1.3 billion good over the years?

This skinny little railroad, I am going to call it, since 1971 to date there has been 25, just over \$25 billion put into the railroad. In my mind it is a commodity. It is not different than TVA or some of the other semi-government operations.

Mr. Crandall, if you say it should operate like a business, I have got to ask, what kind of business? A business like Enron, a business like WorldCom, a business like Tyco, or even like Fannie Mae or Freddie Mac or the Putnam Funds or the New York Stock Exchange, or United Airlines? Which of those businesses would we like to emulate in the operation of Amtrak?

You cannot do it, gentlemen. You cannot operate it as a business.

Mr. Thompson, I ask you: Do you know any railroad, operating railroad, across the world that does not have a government subsidy supporting it?

Mr. THOMPSON. Well, there are some. There are some in Japan, for example, that are very large operations—

Senator LAUTENBERG. Tell me one?

Mr. THOMPSON.—and they do make money. It depends a little bit on—

Senator LAUTENBERG. Turned over, fully paid for.

Mr. THOMPSON. Yes. Yes, they were. And there are certainly private operators who provide passenger services for a profit under contract with their governments.

Senator LAUTENBERG. Some of the amusement parks have them, I know that.

Mr. THOMPSON. Well, and in that sense this is why I said Amtrak could be a little bit of both, because I think that I hope that this board will view, as Mr. Crandall said, will view the way the company operates providing a service to you, I hope that the Board will view it with great severity. I really want to know what is going on and what are the issues, what are the costs, how efficient are we, how can we do better? I am going to try to do that every day.

But it is not a company selling a commercial product that can be left to the market. That is very clear. It is a public need and the public sector has to say what they want and then has to be willing to pay for it.

Senator LAUTENBERG. Mr. Crandall, I read about your views on labor unions and you expressed the view—and you too are noted for your candor; I too. When you had your days at American Airlines you had some comments to make about the unions. Now, in your potential role as a member of the Board of Amtrak you have got a large number of union employees. Will there be an adver-

sarial relationship with the unions here or are they a fact of life as you see it?

Mr. CRANDALL. Well, the unions are a fact of life. There will not be any adversarial relationship unless they choose one.

My relationships with unions, and indeed every executive's relationships with the unions in the airline business, have been difficult. Nonetheless, over a 25 year period we increased Americans employment by about 60,000 people, most of whom were union members. I think if you went back and asked the union leaders at American whether they thought my leadership was successful, they would tell you outstandingly so.

Senator LAUTENBERG. Well, I hope that it is recognized that this is a situation that is an integral part of the existence. I am not saying that whatever the unions say is correct, not at all, not at all. But I think if we go in there with boxing gloves on there is going to be a knockout someplace and you have to be very careful.

Mr. Thompson, I want to get back to something that we just talked about and that is a study, a CRS study, showed that of 14 countries examined for their rail privatization efforts, only in Japan is intercity passenger rail service consistently profitable. However, this is based on the Japanese government—I think this is something that you are quite familiar with. The Japanese government transferred about \$300 billion in debt from the former Japan National Railway to a government corporation rather than to the national railway's successor company. Only in Japan, it says, one place.

So we come down to the question, and I think Senator Hutchison raised it, it is not how you divide the balance sheet or you divide the operating statement. It is a question of what you put in there to make this a whole piece of business.

I thank you, all of you, for your response and for your willingness to take on this task. You may see me along the way.

Senator SMITH. Thank you, Senator Lautenberg.
Senator Lott.

**STATEMENT OF HON. TRENT LOTT,
U.S. SENATOR FROM MISSISSIPPI**

Senator LOTT. Thank you, Chairman Smith.

Gentlemen, thank you for being willing to take on this task. It is not an easy one. But you all have impressive credentials and I hope you can only aspire to do as well as a recently retired Member of the Amtrak Board, Mayor John Robert Smith, who was Chairman of the Board, from Meridian, Mississippi.

I have been a supporter of having a national rail passenger system. I have been a supporter of Amtrak. I think the record would be clear that I helped pass the last legislation that authorized Amtrak to keep, to stay in existence and be where it is now.

But I think you have to always keep asking yourself, are you making the right decision. I think the choice that some of you have outlined is true: Do we want a national rail passenger system or not? Can we afford it? Do we need it? Do the people want it?

At some point we may have to say: Well, it is nice, we would like to have it, but people are not riding it, people are not willing to

pay what it would take for it to make ends meet, and goodbye. Right now I am reevaluating all of that, because I am just not sure.

For instance, Mr. Crandall, you came from the airline industry. The airline industry is having problems, but it is sure a hell of a lot easier to get on a regional jet at Meridian, Mississippi, and fly to Atlanta and get on an airline there and fly to Washington, a lot easier, a lot quicker, and not a whole lot more expensive than riding a train overnight the same.

So I do not know. Why would, other than just having to say "I rode the train once," why would people do that? Is this nostalgia? Are we in love with an idea? I think I am. I really think part of my problem is I cannot let go of something that I guess has been critical. I have ridden a train twice in my life. Well, I guess more than that. I ride Amtrak up to New York, but not a whole lot.

How about that, Mr. Crandall? Do we need this thing?

Mr. CRANDALL. Senator Lott, I do not know. The fact is, like you, I am a bit of a train buff. I used to ride back and forth between Chicago and Providence, Rhode Island, when I was knee high to a grasshopper on the train. I remember those days with pleasure. I took commuter trains for years when I lived in New Jersey and worked in New York.

Again, you come to the question of the roles of the players. To be candid with you, whether we should have a national rail system is a question that has to be decided above my pay grade. That is your job. It is the job of Congress and the Administration to decide what our national transportation policy should be and to decide whether it should include rail and, if they decide affirmatively, to fund it.

It is the Board's job, I think, to be sure that whatever funds you provide and whatever system you incorporate into our national transportation policy is effectively and efficiently administered, and it is our job to give you advice if you ask for it. But that policy has to be decided, I think, by Congress.

Senator LOTT. Let me try to ask you a couple of direct questions that should allow you to give a short answer. Is this bonding idea one that we should do or not.

Mr. CRANDALL. It is just borrowing money, Senator. If we want to borrow money as opposed to appropriating money, sure, you can bond it. But you have got to have a stream of revenue to pay it back.

Senator LOTT. Mr. Hall?

Mr. HALL. I agree. Borrowing money, it is a question of do you pay an interest on it or do you not, and what kind of interest would you pay.

Senator LOTT. But is it not—OK, maybe it is an escape hatch for us to find a way to get money into the system without having to ante up in the regular appropriations process.

But let me ask you, Mr. Thompson. I have read some of your writings. You obviously have looked at railroads, thought a lot about it. So you should be an interesting member of the board. But somebody said that we want to make sure that Amtrak has been operated effectively and efficiently. Has it been?

Mr. THOMPSON. In many ways it has not.

Senator LOTT. OK, I think you are right. I, too, think that Chairman John Robert Smith has done a good job. I think Mr. Gunn is a good man. I think he is more candid, more blunt with us. I do not know if he needs \$1.8 billion. I mean, he has been around long enough, he knows if you ask—if you want \$1.2 billion, you ask for \$1.8 billion, you might get \$1.2 billion.

But no, part of the problem is we set it up where it could not work. We tried to take some of the shackles off of it in 1996, 1997, when we passed the last Amtrak legislation, allowed them to be able to compete, allowed them to be able to make money, and allowed them to privatize some of the things where they could not make money. I even wanted them to be able to wield power. Of course, the utilities did not think much of that.

But if we are going to tell them, you have got to operate like a business, we have got to allow them to operate like a business, for God's sake.

How about it?

Mr. THOMPSON. Well, I think that is the import of what we are saying also, that we would really like to be able to work with David Gunn and make the company as efficient as possible. Why should you pay any more for the services you are buying than you have to?

Senator LOTT. Now, I believe, Mr. Crandall, you suggested a dedicated stream of money. Where do you suggest that come from? Nothing is dedicated that comes from Congress. We may be \$900 million this year, \$1.6 billion next year, who knows the next year. That is not a dedicated stream.

Are you advocating a trust fund, or some sort of tax on riders or something that would go into a trust fund dedicated specifically for Amtrak?

Mr. CRANDALL. I think if you want Amtrak to have borrowing authority then Amtrak is going to have to have some kind of dedicated revenue stream to pay it back.

Senator LOTT. Well, what? I mean, that is a nice suggestion. I agree. What? I am looking for it.

Mr. CRANDALL. Well, Senator, you are much better versed in the possible sources of dedicated income streams than I am.

Senator LOTT. No, you guys have more experience in raising money. All we do is just spend the people's money and that is not a dedicated stream of money.

Mr. THOMPSON. My experience is in lending money, Senator, not in raising it.

Senator LOTT. Well, if you think of a good idea on a stream of money, we would like to get it real quick.

Now, Mr. Thompson, you have written a great deal about privatization and advocacy issues. Are you an advocate of privatizing the national rail passenger system?

Mr. THOMPSON. Well, Senator, I am glad that the "p" word came from you rather than me, because I have discovered that it is a very emotive term that causes a lot of people to get very worried. What I would rather say is this. I believe very strongly that we need to make Amtrak stronger and we need to make it more effective.

I do not think privatizing Amtrak would do that or anything close to that because, as has been made very clear, it is not a business in the sense that it can charge its customers enough to cover its costs, period. That is true now and that will be true forever. So it is always a business supplying services to Congress.

Could you make the role of the private sector more effective in all of this? I think that you could and I think that we should look at all of the alternatives that are available for reducing the call on the public money.

Senator LOTT. Two quick points. You did write in September 2001 a paper entitled "Directions of Railway Reform," in which you said the British effort to privatize the rail system basically, what, that it did not fail, but that it did actually lead to increased government subsidies. Is that a fair characterization?

Mr. THOMPSON. It is fair to say that I believe that it did not fail, certainly not as badly as the newspaper reports would have it.

Senator LOTT. That it did not fail?

Mr. THOMPSON. No. Some things failed and others did not. It is like everything else, it was a complicated problem and some things worked and others did not. For example, the system is actually carrying more passengers now, passenger miles now, than it did in 1947, so hard to call that total failure.

But there were problems and there certainly have been problems with it, and I think they are trying to fix it.

Senator LOTT. I do hope that, with regard to the union questions from Senator Lautenberg, as the son of a shipyard worker, a pipefitter, union member, I think that there needs and concerns need to be addressed. But when I hear suggestions from one of the Amtrak unions or a couple of them they are going to strike and put thousands, maybe millions, of people inconvenienced and in difficulty because they are mad that Congress will not give them the money they want, it is about the height of—that is the kind of irresponsible conduct by the unions that ruins their reputation.

So while I hope that you will be understanding of the workers, that you will do anything you can to discourage that kind of irresponsible suggestion, let alone act.

Thank you, Mr. Chairman.

Senator SMITH. Thank you, Senator Lott.

Gentlemen, in my opening statement that I put in the record I was going to spend some time bragging about the Cascade Line in the Pacific Northwest. From 1993 to 2000 ridership has gone from 94,000 passengers to over half a million a year, and that record will be broken this year.

It is my personal feeling that part of the success of that line is that the States of Oregon and Washington help provide a revenue stream. They contribute scarce State dollars now to make it a great system. One of the I think complaints I have is that some States contribute, others do not. I think where they do you have got a better system.

I wonder if you have a feeling about whether they ought to, whether they should not, or whether this ought to be a fairer process whereby States contribute if they want to participate, or should they just be absolved of any responsibility? Maybe you want to take a shot at that.

Mr. CRANDALL. Mr. Smith, I do not want to duck your questions, but that is an issue that involves networks of trains and the nuances of financing arrangements that I simply am not familiar with at this point. I will be happy to study the matter for a couple months, come back and tell you what I think.

Senator SMITH. I think it is worth—you know, Senator Lott mentioned a revenue stream. I think that is a revenue stream that has proven, at least in our part of the country, to have a benefit beyond just the dollars, a benefit that involves more people in making the thing successful and promoting it.

Mr. THOMPSON. Senator, I did mention earlier that Amtrak effectively is doing three things. One is the operation in the Northeast Corridor, one is the national system, and one is the series of shorter haul trains where the State role really should be clearer and better. And I think States who do get involved end up getting better service, which is only fair.

Senator SMITH. Well, I just, I commend it to you as a policy idea that I think needs to be uniformly applied, because I think the results will be better for operating it as a public service, but running it according to prudent business principles. So I commend that to you.

There are certainly some lines where States are not contributing, and I hope I am not wrong in representing this, but it seems to me that the Sunset Limited Line, Los Angeles to Orlando, that lost over \$400 per passenger in Fiscal Year 2002. You just wonder sometimes when there is no State involvement and there is that kind of Federal subsidy how that is fair.

Maybe you can come back to us and tell us where there are just some egregious examples of this line or that line just not working and how either they can be made better or eliminated, because I think there are some examples that really do retard the ability of some of us who want to support Amtrak to getting it by some of the arguments raised that I think represent clear abuse of the system. I commend that to you as well.

I am also wondering, Mr. Crandall, if you think that Amtrak can compete with the airlines in terms of travel and convenience. Are there areas where you think that makes sense?

Mr. CRANDALL. Mr. Smith, trains and planes for the most part are not really competitors. They are complementary parts of a transportation system. There are places where a train, an optimized train service, I think, can compete very well. For example, if you took Washington to New York and if you repaired the power source and if you straightened out the rails and if you could run the train 125, 150 miles an hour across that whole distance, I think you would find that—I think in that particular area that trains would be a very attractive alternative to airlines.

Now, in the context of an integrated transportation policy that would have some other benefits. It would have the benefit of not having to further develop LaGuardia Airport, because many of their short haul slots, if you would, would be used to fly longer distances. It would have a similarly favorable impact on Reagan Airport here in Washington, where you could now fly, instead of half the slots or a substantial percentage of the slots being used to fly short hauls, you could use them for the long haul flights.

So in a real integrated transportation planning exercise, I think what you would do is you would say, well, I am going to spend some money to fix the track and I am going to save some money on airports, and I am going to allow the airlines to use their airplanes in more productive ways, and the net benefit in an integrated transportation policy might be very favorable. Unhappily, for whatever reason, our country does not seem to do that kind of integrated transportation planning.

If this Board can be helpful in moving us a step in that direction, I would like to see it happen. I think it makes good sense.

Senator SMITH. I think as you evaluate it we would, I would, greatly appreciate and respect your recommendations on these kinds of proposals. I am interested in high-speed rail and how that might relate to being afforded, provided for, budgeted for, if we can show some savings in other places, because I think—I do not know how many more airplanes we can put in the sky and safely provide transportation for the public.

I think there are places where high-speed makes a ton of sense. So I hope we get there. Maybe we can duplicate the few lines in Japan that are actually profitable, because that is high-speed. I have ridden them.

Mr. CRANDALL. It does seem to me if the French can do it we ought to be able to do it.

Senator SMITH. That is a very good observation. There is a challenge.

Senator Lautenberg for a second round.

Senator LAUTENBERG. Thank you very much.

I could not help but be a little amused at some of the discussion that took place, but I first wanted to ask Mr. Thompson a question. A Columbia University economist wrote that: "The disastrous privatization experience of British Rail provides an important precedent. There, the breakup of the system was followed by serious accidents, financial insolvency, further public subsidies. Here, privatization yielded the worst of both worlds: chronic service failures, no effective market discipline, wasted public revenues."

What do you think, Mr. Thompson?

Mr. THOMPSON. I do not want to defend or be in the position of defending everything that the British did in privatizing British Rail. It is clear that they made a number of decisions that they have now changed or are trying to fix. Fragmenting the system into 25 operating companies did not make any sense. They agree on that now. The way in which the infrastructure company was privatized did not work for a lot of reasons, and I think they have changed that now, forming Network Rail.

But there were certain aspects of it, like the ridership actually went up, that I think were favorable. The other things is that, yes, funding has gone up, but that is because the basis that they tend to compare it with was the tail end of the British Rail regime when the government had starved British Rail, a lesson that we might want to think about. The government had absolutely driven the funding to British Rail down as far as it possibly could and it was eroding. Now we are comparing what the government is spending now with what it was spending then, and that is not entirely a fair comparison.

Senator LAUTENBERG. I thank you for the explanation.

Mr. Crandall, have you looked at the details surrounding Amtrak enough to suggest that they are fairly well borrowed to the hilt, as the Chairman, Chairman McCain, before said, including the property up in New York City that was mortgaged practically before ownership transferred. Is Amtrak, do you think, fairly well borrowed out?

Mr. CRANDALL. So far as I know, Senator, although I am not familiar with the financials in detail, but I am told that Amtrak has effectively borrowed all that it can borrow against its fixed assets.

Senator LAUTENBERG. That is as I see it, and I look at it fairly carefully.

The thing that amused me here is it was suggested, at least intimated, that what should happen is maybe loans be made to Amtrak and get it done that way. Well, if they are borrowed up to here it is not a good idea to extend borrowing capacity.

But as we argued that or debated that this morning, I am reminded of a debate that took place, Senator Smith, just a week ago, when we had a hell of a fight about whether or not to grant Iraq money or to loan them money. Everybody was insisting that we grant them money. And they sit on their fat treasury, if I can use the expression, of hundreds of billions of dollars, maybe even a trillion dollars, worth of liquid gold there. But no, we wanted to make sure it was a grant.

Here in this railroad, which is an integral part—Mr. Crandall, you said it and it was just perfect, I think, coming from you: the recognition that, while aviation has a critical role in this country—I think it helped build the country, very frankly, in a very significant way—but not to have another means of transportation that is viable is kind of not the way to go. I see it that way, that there is fundamentally a commodity service attached to it.

So when we look at the proposal in front of us, I think, for better or for worse, rail has to be part of our existence. We can look at maybe cutting it up. I do not approve of that because I think the whole thing is a network.

For Senator Smith, our friend Senator Crapo—and I do not believe this was a private observation—from Idaho said that both he and your colleague feel that it would be wonderful if they could re-establish a rail link from Boise, Idaho, to Portland, Oregon. Well, I do not know whether it would carry enough passengers to ring the cash register, but the fact of the matter is that it would be a wonderful adjunct, I think.

It is not just the Northeast Corridor. I think if there was a decent rail line between, let us say, Las Vegas and Los Angeles or Chicago and St. Louis or other places around the country where you could develop pretty good revenue streams, I think that is worth looking at.

The one thing that we have to come to a decision about is are we going to starve this beast or are we going to finally feed it enough to make it stronger? So yes, there will be a subsidy each and every year as long as any of us inhabit this earth, and I think we have to step up to it.

Mr. Thompson, you essentially said that: “You pay one way or the other. There is no such thing as a free trip.”

Mr. Chairman, thanks very much for your indulgence, and I thank all three of you witnesses, excellent candidates, and we wish you well. But we hope that we will be able to look at your history in a few years from now and say: Wow, those guys were great; look at what they did for the country.

Thank you very much.

Senator SMITH. Thanks, Senator Lautenberg. And I appreciate the comments of many of my colleagues and each of you nominees about the importance of rail in an integrated system for transportation. I came through a huge fight in Oregon over whether to put light rail in Portland. Well, we used to have, before I was ever born, we had a rail system in Portland. When I grew up here in Chevy Chase, Maryland, I remember streetcars all over this city. And we tore them all up and we put everything in freeways and automobiles, and after a while you figure out that there is no quality of life if that is your only option.

I cannot imagine this city now had there not been a recognition of this and an investment made in a rail system for this city. We would be at a standstill. The city would be standing stiller than Congress a lot of the time.

We have got to preserve a rail system. It is a public service, and what we are asking for is what is the dollar sign? What business sense can you bring to this to help us to make the case to our colleagues at a number that we can defend? I think that is really where your expertise is appreciated and most needed.

I hope when the Chairman asks you your opinion, you will not give him a blank look, because there is a lot of horsepower in each of you gentlemen.

We appreciate your willingness to serve. It is the intention of the Committee to move your nominations to the floor, and we look forward to hearing back from you as to how best to proceed with a national rail policy.

With that, we are adjourned.

[Whereupon, at 10:48 a.m., the Committee was adjourned.]

A P P E N D I X

UNITED TRANSPORTATION UNION
Washington, DC, October 30, 2003

Hon. JOHN MCCAIN,
U.S. Senate,
Washington, DC.

Dear Senator McCain:

The Committee on Commerce, Science and Transportation will soon be holding hearings on the nominees for Member of the Amtrak Reform Board. I wanted to call your attention to one of the nominees, Louis S. (Lou) Thompson, of Maryland.

Lou has had a long career in transportation. He was a member of the team that created Amtrak in 1970. He was the Director of the Northeast Corridor Improvement Project (NECIP) and Associate Administrator of the Federal Railroad Administration supervising the Amtrak budget. He then spent 17 years as the Railways Adviser at the World Bank working in all the areas of the world on the Bank's railway lending.

He has a reputation for competence and willingness to listen. The Amtrak Board found that he "approached matters pertaining to Amtrak with reason, wisdom, and good judgment," and commended him for "the many contributions he has made to improve rail passenger service, not only in the Northeast Corridor, but throughout the Amtrak system." A New York Times editorial said: "A new Director [of the NECIP], Louis Thompson, has the respect of the region's planning and transportation officials . . ."

Amtrak will be facing difficult decisions in the near future as the company begins to recover from a number of years of underinvestment. The Congress and the Department of Transportation will likewise need to make complex decisions about the future of rail passenger service in this country. The Amtrak Board will need people with the expertise to understand the issues, the personal skills needed to listen to all sides, and the credibility to help reach agreements. I would like to commend Lou Thompson to you as a person who fully meets these tests.

Sincerely yours,

JAMES BRUNKENHOEFER,
National Legislative Director.

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS
November 5, 2003

Hon. JOHN MCCAIN,
Chairman,
Committee on Commerce, Science, and Transportation,
U.S. Senate,
Washington, DC.

Dear Mr. Chairman:

The National Association of Railroad Passengers is pleased to support the nomination of Louis S. Thompson to the Amtrak Board of Directors.

We do not expect to agree with him on all issues, but we think his selection is an example of the nomination process at its best: someone who has a detailed knowledge of the rail passenger business both here and abroad. This is not to say that such knowledge should be a prerequisite for every board member, but the level of expertise he brings will certainly be an asset.

Mr. Thompson asked for our support. He then participated in a telephone conference call with five members of our executive committee, including me. After re-

ceiving a report on that call, our full executive committee voted overwhelmingly to endorse him.

We believe he would be a capable, knowledgeable and responsible person to work with in trying to help rail passenger service develop an agreed and stable future.

Thank you for considering our views.

Sincerely,

ROSS B. CAPON,
Executive Director.

cc: The Honorable Ernest F. Hollings
The Honorable Kay Bailey Hutchison
The Honorable Daniel K. Inouye

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN MCCAIN TO
ROBERT L. CRANDALL

Question 1. I am very interested in hearing why each of you is interested in serving on the Amtrak Board of Directors. *[did you offend the President in some way?]*

Answer. My career has been in transportation. I believe that this country needs a comprehensive transportation policy, that the policy should focus carefully on what each mode of transportation does best, and that passenger rail has a role to play. I regard this appointment as an opportunity to contribute my experience to shaping the Nation's transportation policy and I look forward to doing so.

Question 2. What do you consider to be the appropriate role of the Amtrak Board of Directors? Do you see yourself as taking an active role in determining the future of Amtrak?

Answer. I believe that the most important role of the Board of Directors is to assure that the company is well and efficiently run, lives within the financial resources available to it, and complies with the statutory directives related to the company. Additionally, since the Board will have detailed knowledge of Amtrak's strengths and weaknesses, I think the Board should offer its advice to both the Congress and the Administration. Only the Federal Government—the Congress and the Administration—can decide policy and allocate funding, but the Board can be a source of reliable, candid advice.

In its advisory mode, the Board may play a role in determining the future of Amtrak.

Question 3. Who do you believe you represent in your capacity as a Board member?

Answer. Since the Board is appointed by the President and confirmed by the Senate, I believe that the Board's primary duty is to represent the public's interest.

Question 4. Amtrak operates a number of long-distance routes that lose hundreds of dollars per passenger. The Sunset Limited, which operates from Los Angeles to Orlando, lost over \$400 per passenger in Fiscal Year 2002. Do you think this kind of subsidy is warranted?

Answer. I do not believe it is the role of the Board to determine whether a specific subsidy is warranted. That is the role of the Federal and state governments that provide those subsidies. I see the role of the Board as making Amtrak the most efficient provider of service as possible and then being able to accurately inform the Administration and Congress and the states what it will cost to run the trains. Then it is the role of the Federal and state governments to determine whether they are willing to pay to keep the trains running.

Question 5. How do you believe decisions should be made to add, reduce, or eliminate train service?

Answer. My preferred approach is that an efficient Amtrak is able to accurately inform the Federal and state governments what it costs to run each train service and let them decide which they are willing to pay for. Absent that, then the Board has an obligation to ensure that the company lives within the level of revenues (including subsidies) it has available, even if this means elimination of trains.

Question 6. What is your assessment of the Administration's legislative proposal for reforming Amtrak?

Answer. I haven't had an opportunity to review any of the pending Amtrak legislative proposals in the level of detail necessary to make an informed assessment of their pros and cons.

Question 7. In a normal business, the consequences of not meeting a company's business plan include a lower stock price, cost-containment measures, reductions in service, salary freezes, and the elimination of bonuses. Amtrak has consistently

failed to meet its business plan, but the only real consequence has been to increase the financial burden on the American taxpayers. What consequences should apply to Amtrak? Wouldn't the introduction of competition help motivate Amtrak to operate more efficiently and follow through on its business plan?

Answer. Amtrak needs to present to the Federal and state governments an accurate business plan that lays out the true net cost of providing the services that cannot stand on their own. If these subsidies are provided, then it is up to the Board to make sure the corporation is managed so as to live within the funding provided. If we can't do that, then Amtrak needs a new management and Board of Directors.

The competition part of this question raises an interesting issue with respect to whom is the intended beneficiary of competition—Amtrak or the consumer (including the government bodies subsidizing Amtrak service). My background was in the highly competitive aviation industry. Based upon that experience, I can say there are both advantages and disadvantages to competition. Great ideas can come from companies seeking a competitive advantage. Competition forces companies to focus on the key aspects of a service—price and quality—with a benefit to the consumer, but sometimes to the detriment of the company, if the company ends up cutting prices below the cost of a service. Another issue could be the extent to which Amtrak has the freedom to exit certain markets. If the better performing routes were “cherry picked” and the company could not exit the worst performing services then Amtrak as a company could be in worse shape than now. At this point I am still learning about Amtrak so I am not in a position to comment on the particular circumstances and conditions under which competition would benefit Amtrak as opposed to the consumer.

Question 8. If confirmed, will you be willing to comply with the Security and Exchange Commission's new corporate governance rules for publicly-traded companies, including the rule that non-management directors meet at regularly scheduled executive sessions without management?

Answer. Yes.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. ERNEST F. HOLLINGS TO
ROBERT L. CRANDALL

Question 1. There are a number of bills pending in Congress now proposing substantial changes intended to improve Amtrak's performance, fiscal health, and infrastructure. However, the bills take very different approaches in attempting to achieve those improvements. What do you believe the Federal government's role should be in making the very needed improvements to Amtrak?

Answer. The Federal Government—Congress and the Administration—have a responsibility to plan an integrated transportation system for the United States. Since it is generally acknowledged that passenger rail service cannot be profitable, the Government also needs to provide funding for whatever rail transportation component is included in its integrated transportation plan.

Question 2. Are there specific provisions in the Administration's proposal for restructuring Amtrak that you believe have particular merit? Are there provisions that concern you as being unworkable? Do you believe that the states will participate to the extent envisioned by the legislation? What do you think of the proposal to establish a state compact to manage the Northeast Corridor? Do you support separating infrastructure from operations in the Northeast Corridor?

Answer. I have not had an opportunity to study the Administration's bill nor have I had an opportunity to study either Amtrak's operation or its finances. Those who have studied it tell me that it proposes a fundamental shift in the Nation's transportation policy as it relates to passenger rail service. In the end, the Amtrak Board will have no choice but to implement whatever transportation policy the Congress adopts.

Question 3. (If you are not familiar with the Administration proposal, you may view the legislation as well as Secretary Mineta's press release on the bill at <http://www.dot.gov/affairs/dot06303.htm>.)

One of the immediate issues facing Amtrak is that of appropriations for the coming year. The Senate has voted to appropriate \$1.346 billion, while the House has voted to give Amtrak \$900 million. Amtrak has said that it will need \$1.8 billion just to tread water. At this moment, I we cannot predict what the Congress will appropriate for Amtrak, whether it will be \$900 million or something closer to the Senate figure. But I think we can assume with some certainty that Amtrak will not get \$1.8 billion it says it needs. Obviously, difficult choices will have to be made

about how the money is to be spent. As an Amtrak board member, where will you recommend Amtrak should focus its limited funds next year?

Answer. Since I have not yet met with Amtrak's management, nor reviewed its operating plan, and since no one knows how much money the Federal Government will allocate, it is not possible to offer a sensible response to this question.

Question 4. How will you prioritize the spending needs, including infrastructure improvements, maintenance of safety, security, service improvements, and operation of long-distance trains?

Answer. The first priority of every transportation system is safety, and that will always come first. Beyond that, since I have not reviewed Amtrak's operating plan, I cannot offer a comment.

Question 5. What sort of financing do you believe is necessary in order to grow intercity passenger rail service in the United States?

Answer. Since I have not yet reviewed Amtrak's operating plan, and have no detailed knowledge of either system utilization or system costs, I cannot offer a sensible answer. It is clear that if we want more passenger rail service, more operating subsidies and more Federal capital funding will be required.

Question 6. With your years of experience with American Airlines, including 13 years as chairman and CEO, you certainly have a lot of knowledge about the aviation industry. However, the aviation industry in the United States has evolved along a different pathway than has the passenger rail industry. When railroads in this country realized that they couldn't afford to operate passenger rail service any longer, the government took it over. We preserved the passenger rail system just as it was in 1970, so that rail service would not be lost for all time in some parts of the country. By contrast, when the airline industry reached a crossroads, we took the opposite approach by de-regulating the industry. The result was that air travel became more affordable, but then air service was lost to many small cities. Both approaches have had their share of problems. How do you think your experience in the aviation industry will translate to the needs and issues facing the passenger rail industry today?

Answer. I hope to bring a new way of looking at the issue of passenger rail and the challenges it faces. While the lessons learned in aviation are not exactly congruent with Amtrak's current challenges, I believe that goal of delivering an efficient transportation option for the customers is achievable.

Question 7. What do you plan to do to bring yourself "up to speed" on the passenger rail industry in general and on Amtrak in particular?

Answer. If confirmed, I plan on spending time with Amtrak's senior management and other Board members in an attempt to learn details of Amtrak's current challenges. I believe there is a lot to learn from the experts on this issue, which I am not.

Question 8. We frequently hear that Amtrak should cut its long-distance trains. However, the fact is, these long-distance trains offer the only public transportation available to some areas of the country, especially after the loss of air service to many small cities. Do you think it is fair to eliminate all public transportation from some areas of the country while supporting both highway, rail and air service in other parts of the country? Do you think it would be wise to cut long-distance service when once cut, they may be gone for good?

Answer. I think the issues you raise are fair issues that warrant debate, however I do not see this as a responsibility of the Amtrak Board. The decision on individual routes and whether or not they should be subsidized belongs to the state and Federal governments that provide the subsidies.

Question 9. You spent your career in the airline business, creating a huge airline, creating innovative programs like frequent flyer miles and building computer reservation system networks. You also are aware that in many parts of the country, for example the Northeast Corridor, Amtrak competes directly with many of your former competitors. These routes are some of the most lucrative in the country. Amtrak ads and airline ads constantly make comparisons.

Given your investment in aviation, not to mention pension and portfolio, and given that air carriers that compete with American could gain or lose from what happens to Amtrak, how do you avoid any appearance of a conflict in any actions you might take with respect to the Amtrak Board?

Answer. My role as a member of the Amtrak Board of Directors is to assist in having Amtrak deliver the best product possible. I do not believe there is a conflict with the aviation industry, however, if a significant conflict were to arise, I would recuse myself from any decisions that could be interpreted as favoring one transportation sector over another.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN F. KERRY TO
ROBERT L. CRANDALL

Question 1. Do you support the \$900 million budget for Amtrak proposed by the Bush Administration for FY 2004? If so, please describe how Amtrak will operate at this funding level.

Answer. I do not have a position on the Administration's FY 2004 budget proposal for Amtrak. Since I have not had an opportunity to become familiar with Amtrak's operation and finances, I do not know what choices the Amtrak Board and Management would make if Congress allocates only the amount proposed by the Administration.

Question 2. Do you support the administration's proposal, now in the form of legislation, to break Amtrak apart into three separate entities, two of which would be run privately, and force states to pick up the majority of the operating costs? What are your views on this legislation?

Answer. I have not had an opportunity to study the Administration's bill nor have I had an opportunity to study either Amtrak's operation or its finances. Those who have studied it tell me that it proposes a fundamental shift in the Nation's transportation policy as it relates to passenger rail service. In the end, the Amtrak Board will have no choice but to implement whatever transportation policy the Congress adopts.

Question 3. Do you believe it is the responsibility of Board Members to support the current national passenger rail service operated by Amtrak, or do you believe that members should look for alternatives such as what the Bush administration is proposing?

Answer. It is not the Board's responsibility to determine transportation policy. Rather, the role of the Amtrak Board is to implement, as efficiently as possible, whatever transportation policy the Congress adopts.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN MCCAIN TO
LOUIS S. THOMPSON

Question 1. I am very interested in hearing why each of you is interested in serving on the Amtrak Board of Directors. *[did you offend the President in some way?]*

Answer. I was involved in the creation of Amtrak and I have followed its development over the years. I have also been involved in rail passenger issues all over the world. I genuinely care about this issue and would love to have the opportunity to influence what happens.

Question 2. What do you consider to be the appropriate role of the Amtrak Board of Directors? Do you see yourself as taking an active role in determining the future of Amtrak?

Answer. I believe that Board members should work with Amtrak management, the Congress and the Administration to agree on Amtrak's mission. Then the Board should set policies to implement this mission, and should make sure that Amtrak operates openly and efficiently. I accepted the offer of nomination because I *would* like to participate actively in the debate over Amtrak's missions and how they should be performed.

Question 3. Who do you believe you represent in your capacity as a Board member?

Answer. Board members of Amtrak are in an unusual position. Because they oversee the spending of public money, Board members should have something useful to offer in the discussion of what Amtrak should do and how Amtrak should do it. This said, though, the fiduciary responsibility of a Director still remains to ensure that all decisions are made prudently and all money is spent effectively. The advisory role is desirable: the fiduciary role is mandatory.

Question 4. Amtrak operates a number of long-distance routes that lose hundreds of dollars per passenger. The Sunset Limited, which operates from Los Angeles to Orlando, lost over \$400 per passenger in Fiscal Year 2002. Do you think this kind of subsidy is warranted?

Answer. Since Amtrak was established, decisions about which trains to run have been partly economic and partly political, based on a lot of factors (social issues, geographic tradeoffs, rural connectivity, among others). The Board should do its best to tell you what various options cost and how they can be carried out most effectively; but, we will have to look to you and the Administration to decide which trains are run, and why.

Question 5. How do you believe decisions should be made to add, reduce, or eliminate train service?

Answer. In this, as in most other things, Congress and the Administration have to balance what they want against how much it will cost. I believe that Amtrak management and the Board can, and should, do a good job of telling Congress and the Administration what options are available and how much they would cost. In this regard, it seems very possible that better and more accurate measures of performance could be developed for your consideration. The challenge—and it is one that concerns me greatly—is in making sure that the system Congress and the Administration want is accompanied by the money needed to run it.

Question 6. What is your assessment of the Administration's legislative proposal for reforming Amtrak?

Answer. Please see the detailed answer attached.

Question 7. In a normal business, the consequences of not meeting a company's business plan include a lower stock price, cost-containment measures, reductions in service, salary freezes, and the elimination of bonuses. Amtrak has consistently failed to meet its business plan, but the only real consequence has been to increase the financial burden on the American taxpayers. What consequences should apply to Amtrak? Wouldn't the introduction of competition help motivate Amtrak to operate more efficiently and follow through on its business plan?

Answer. I believe very strongly that the Board must do a better job of making sure that business plans are realistic and that management is held accountable for meeting plans and commitments. As a general proposition, I have argued repeatedly that competition deserves consideration as a way to provide rail passenger services more effectively. In the Amtrak context, however, the issue is complex and, in my experience, as easy to get wrong as right. We would need to be careful, and we need to make sure that all aspects of the issue are considered.

Question 8. If confirmed, will you be willing to comply with the Security and Exchange Commission's new corporate governance rules for publicly-traded companies, including the rule that non-management directors meet at regularly scheduled executive sessions without management?

Answer. Yes.

Question 9. You (bravely) admit in your Committee questionnaire that you were involved in the creation of Amtrak. How does the Amtrak that exists today compare to what was envisioned in 1970?

Answer. It is hard to remember exactly what we thought at the time, and others might disagree with me. As I remember the original expectations, Amtrak is significantly different than expected. Many functions we expected to be performed by the freight railroads (locomotive crews and equipment maintenance) have been taken over by Amtrak. We did not expect Amtrak to own or manage the Northeast Corridor (NEC) infrastructure. Traffic growth has been slower than projected, and costs have been higher.

Question 10. According to the General Accounting Office (GAO), the Federal Government has invested \$3.6 billion to date on the high-speed rail improvement project on the Northeast Corridor, including \$800 million for the Acela equipment. Having managed the Northeast Corridor Improvement Project for 8 years, what is your assessment of this project and Amtrak's management of it?

Answer. I think (and have always believed) that the NEC infrastructure is a vital national asset serving 8 States (and DC) in an increasingly urbanized area where congestion on the highways and airways is approaching intolerable levels. The original Northeast Corridor Improvement Project (NECIP) that I managed was truncated by order of the Administration in 1981 and we were forced to leave a number of problems unresolved—electrification of the North end, conversion of the electrification on the South end, and signaling upgrades, among a number of other things. By 1986 (when I left the FRA), the NECIP had been essentially finished and the bits and pieces remaining were handed over to Amtrak. What FRA handed to Amtrak was a facility that was upgraded in many respects, but still had well known gaps.

In the meantime, Amtrak has addressed some of the gaps by programs such as completion of the electrification of the North end and purchase of the Acela. How well they have performed in managing these investments is something that the GAO is better qualified to answer than I am, as I have had no access to internal Amtrak information.

Question 11. As I know you are aware, I have argued for years that Amtrak should not operate long-distance trains that cost the taxpayers \$200, \$300, or even \$400 for every passenger they carry. And I note that in one of your speeches, you

stated that “higher income passengers, whose need for Federal subsidy is easy to question, occupy most of the sleepers on the long haul trains. Even the coach passengers are being hauled at a cost that is far above that of alternative modes”.

As a Board member, what will you do to address this situation?

Answer. If confirmed, I would push very hard to reduce the support required for running *all* services, short and long haul, coach and sleeper.

Question 12. Why should Congress subsidize sleeping accommodations and dining car service for higher-income passengers?

Answer. I have no good answer for this question, but I am not sure that I am the one to answer it. I am also not sure that *all* sleeping passengers are subsidized, given the large fare differences that exist between coach and sleeper fares on some routes. I would ask for, and hope to see, a good study of the actual degree of subsidy that is being provided to sleeper passengers, given accurate calculation and reasonable allocation of the costs involved. Support to dining services is a more complex issue, since diners serve all passengers, and not just sleeper services.

Question 12a. How does Amtrak compare to railroads around the world in terms of:

On-time performance.

Answer. Good on-time performance numbers are not readily available for most railways. In my experience, most European railways and the Japanese railways would expect trains to be within 5 minutes of schedule significantly better than 90 percent of the time. Amtrak’s short haul trains have averaged around 80 percent within 10 minutes of schedule and the long haul trains have averaged less than 60 percent within 30 minutes of schedule.

Question 12b. Market share.

Answer. European Union railways have about an eight percent share of the common carrier intercity market, Amtrak has less than one percent. Rail passenger market shares in Russia, China and India run above 30 percent on the same basis.

Question 12c. Operating costs.

Answer. It is very difficult to compare *costs*, since few countries publish their passenger costs separate from freight costs. It is possible to compare average passenger fares, although there are significant issues of differences in length of haul, type of service (especially the mix of commuter service and of luxury service, and the amount of high speed service), and currency conversions are questionable (I have used purchasing power parity conversion rates, which tends to reduce the difference between U.S. numbers and those elsewhere). I have appended a table for the year 2000, or latest available year, below. In summary, Amtrak’s prices are significantly above those of other countries. Amtrak’s costs are above its prices; a fact that I suspect is true in most other countries as well.

Question 12d. Employee productivity.

Answer. Employee productivity is also difficult to compare. There are different mixes of freight and passenger services and productivities in passenger service tend to be lower than in freight: Amtrak would naturally be lower than most other railways for this reason (the percentage of passenger service ranges from 20+ percent in China to 60+ percent in most European countries, to as high as 90 percent in Japan and the Netherlands, to 100 percent for Amtrak). Wage rates differ among countries, and output per worker might legitimately be lower in low wage countries. Types of service provided also differ, and it is not entirely clear how service mix affects output per worker. I have appended a table showing output per worker in 1980 and 2000, along with a calculation of how much output per worker grew between 1980 and 2000. In summary, Amtrak’s output per worker is relatively low, and it has not grown as much, as in most other major railway countries.

Question 12e. and other relevant measures?

Answer. Please see the third sheet attached for general comparisons of a number of the world’s major railways.

Question 13. In your questionnaire, you state that Amtrak has many stakeholders, including Amtrak’s passengers, Congress, the Department of Transportation (DOT), the National Association of Railroad Passengers, the Association of American Railroads, Amtrak suppliers, its unions and the holders of its common stock. I am concerned that you’ve left one of the most important stakeholders off the list—the American taxpayers. Do you *not* believe your fiduciary responsibility on the Board extends to the taxpayers who have to absorb the Amtrak subsidy year in and year out?

Answer. Legally, I suspect that my fiduciary responsibility would attach primarily to the affairs of the corporation. I would surely agree with you, though, that I have

a duty to the public and to the taxpayer to ensure that Amtrak's mission is fulfilled legally, ethically, effectively and transparently.

Question 14. You have stated that Amtrak has many stakeholders, first and foremost Amtrak's passengers. Do you believe the trains operated by Amtrak, particularly long-distance trains that cannot compete with other modes of transportation, really reflect the needs of intercity travelers? Answer. In rough terms, Amtrak carries around 12 million passengers annually in the NEC (1.7 billion passenger-miles), about seven million other short haul passengers (1.0 billion passenger-miles), and 5 million long haul passengers (2.7 billion passenger-miles). There clearly are needs being met in each of these categories. Whether the needs can be met more efficiently by Amtrak is a question I would like to investigate: whether the country should spend its money this way or some other way is a question I have to leave to the Congress and the Administration. Will you, if appointed to the Board, work to change the network of trains to concentrate on markets that Amtrak can compete for and meet a market demand?

Answer. I believe the Board and Amtrak management should lay out for Congress and the Administration the costs and market potential for all Amtrak services. Given a better consensus on what Amtrak is supposed to do, I will work as hard as I can to ensure that all trains required by the Congress and the Administration are operated as effectively as possible. I certainly believe that market demand is an important factor in route structure decisions, but route costs are also important.

Question 15. In your speech at the first conference on rail industry structure, competition and investment, you stated that, "Government policies and funding—and not the market—are thus the determinants of which rail passenger services Amtrak (or other operators) will provide". Are you suggesting that Amtrak's ability to compete with other modes should not be consideration as to what trains are operated?

Answer. No. What I meant was that essentially all of Amtrak's trains have a social component that purely market forces would not satisfy. If, for example, Amtrak were privatized—if the assets were simply sold to the highest bidder and all public support terminated—very few, if any, of its services would survive.

	Average Passenger Revenue in U.S. Cents/Pass-mile (PPP)
<i>Amtrak</i>	29.1
<i>Austria</i>	10.7
<i>Belgium</i>	10.7
<i>Canada: Via Rail</i>	21.1
<i>China</i>	7.5
<i>Denmark</i>	11.3
<i>Finland</i>	12.9
<i>France</i>	12.0
<i>Germany</i>	23.6
<i>Greece</i>	6.2
<i>India</i>	4.1
<i>Italy</i>	8.6
<i>Japan</i>	16.4
<i>Netherlands</i>	15.4
<i>Portugal</i>	6.3
<i>Republic of Korea</i>	10.6
<i>Spain</i>	9.3
<i>Sweden</i>	13.5
<i>U.S. Suburban</i>	14.8
<i>United Kingdom</i>	21.5

Data for 2000 or for latest available year
PPP means purchasing power adjusted.

Railway Output per Employee (000)*

	1980	2000	Percent Growth, 1980 to 2000
<i>Amtrak***</i>	324	373	15
<i>Austria</i>	244	482	98
<i>Belgium</i>	245	373	52
<i>China</i>	319	1,155	262
<i>Denmark</i>	257	770	200
<i>Finland</i>	472	1,056	124
<i>France</i>	505	715	41
<i>Germany**</i>	328	681	108
<i>Greece</i>	178	182	2
<i>India</i>	233	467	100
<i>Italy</i>	252	618	145
<i>Japan</i>	605	1,528	152
<i>Netherlands</i>	441	752	71
<i>Portugal</i>	289	465	61
<i>Republic of Korea</i>	840	1,323	57
<i>Spain</i>	360	842	134
<i>Sweden</i>	693	2,144	209
<i>U.S. Class I Railways</i>	3,040	12,724	319

*Output per employee is defined as total metric ton-km plus total passenger-km divided by total employees.

**1980 is overestimated because Eastern Germany is not included U.K. excluded because no comparable employment data for 2000.

***Amtrak's productivity excludes contract commuter pass-km, but includes the employees associated with such traffic. An estimate indicates that Amtrak's output/worker would be about 15 percent higher in 2000 if the average commuter trip is about 20 Km. Amtrak's percent growth would be 32 percent on this basis.

World Railway Data in 2000 or latest available year

	Total Route km	Passengers (000)	Pass-km (000,000)	Frt Ton-km (000,000)	Employees	Avg Frt Shipment Lgth (km)	Avg Pass Trip (km)	Output/ Empl (000 t-km-p- km)	Total Wages/ Total Revenues	RatioPass Fares/Frt Rates	PPP Pass. Rev/pass- km	PPP Frt Rev/ ton-km
Austrak	36,597	23,000	8,970		24,000		390	373	0.714	12.183	0.182	
Austria	5,780	186,600	8,318	16,311	51,100	200	45	482	1.567	1.144	0.067	0.058
Belgium	3,471	153,300	7,755	7,674	41,400	125	51	373	2.885	1.070	0.067	0.062
Canada- Via Rail	13,490	3,957	1,544		2,958		390	522	1.287	6.600	0.132	
Canada:CN	23,731			154,057	20,504	1,274		7,514	0.327			0.020
Canada:CP	15,749			114,680	15,906	1,203		7,210	0.318			0.020
China	58,656	1,018,500	441,468	1,333,606	1,536,600	806	433	1,155	0.148	1.194	0.047	0.039
Denmark	2,047	153,700	5,381	2,087	9,700	264	35	770	0.965	0.989	0.071	0.071
Finland	5,854	54,783	3,405	10,107	12,800	250	62	1,056	0.768	2.467	0.081	0.033
France	32,515	849,800	69,860	55,448	175,300	391	82	715	1.109	1.542	0.075	0.049
Germany	36,652	1,712,510	74,394	76,906	222,310	268	43	681	0.472	2.772	0.147	0.053
Greece	2,299	12,300	1,583	326	10,500	136	129	182	3.734	0.385	0.039	0.097
Hungary	7,729	180,000	9,906	7,426	54,287	170	62	319	0.800	0.340	0.036	0.107
India	62,759	4,584,900	430,666	305,201	1,577,200	669	94	467	0.491	0.307	0.026	0.084
Italy	16,499	474,100	44,849	23,834	109,500	287	95	618	1.313	1.420	0.054	0.038
Japan	20,165	8,797,700	240,793	22,313	172,200	565	27	1,528	0.376	2.173	0.102	0.047
Netherlands	2,802	305,000	14,760	3,819	24,700	150	48	752	0.730	2.558	0.096	0.037
Poland	22,560	332,000	22,467	47,909	145,000	287	68	415	0.483	0.789	0.040	0.051
Portugal	2,814	148,600	3,632	2,183	12,500	243	24	465	1.251	0.862	0.039	0.046
Republic of Korea	3,123	815,600	28,097	10,803	29,400	238	34	1,323	0.454	1.426	0.066	0.046
Russia	86,075	757,100	131,920	1,440,900	1,294,700	1,363	174	1,054	0.316	0.974		
Spain	13,866	528,400	19,784	12,042	37,800	408	37	842	1.143	1.304	0.058	0.045
Sweden	10,068	49,900	6,006	19,084	11,702	359	120	2,144	0.726	2.341	0.085	0.036
United Kingdom	17,067	978,100	40,611	19,115	22,300	181	42		0.937	1.623	0.134	0.083
U.S. Class I Railways	157,515			2,185,270	162,155	1,382		13,476	0.316			0.015
U.S. Suburban	10,425	382,000	14,035		22,399		37	627			0.092	

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. ERNEST F. HOLLINGS TO
LOUIS S. THOMPSON

Question 1. There are a number of bills pending in Congress now proposing substantial changes intended to improve Amtrak's performance, fiscal health, and infrastructure. However, the bills take very different approaches in attempting to achieve those improvements. What do you believe the Federal Government's role should be in making the very needed improvements to Amtrak?

Answer. There are three aspects of this question: *what* needs to be financed, *who* should finance it, and *how* should it be financed?

Amtrak appears to have a substantial backlog of age-expired assets and deferred maintenance. Although it is always possible to postpone this kind of investment for another year or two, the net result is that service will be further downgraded and costs will continue to rise. At some point in the near future, it will be important for the new Board, along with Amtrak management, DOT and the Congress, to discuss and clarify what will be expected from Amtrak. Given clearer agreement on Amtrak's missions, we can be more confident in specifying what investment is needed and what the costs of funding it (or not funding it) are.

There are already a number of models for deciding how the investments needed should be financed. Where a function is clearly a national responsibility, then a substantial Federal share makes sense. The long haul, national system trains, for example, fit this category, as does (in my opinion) the Northeast Corridor (NEC) main line infrastructure. Where a service is focused on a single state or a very limited number of states, then it is reasonable to expect a higher local share, both in capital and in operating support. In some cases, such as Amtrak's contract operation of commuter trains, the existing approach—that the sponsoring authority should pay all of Amtrak's costs (capital and operating support)—is a good one and should be maintained.

I am simply not qualified to comment on the "how" of the financing. From Amtrak's point of view, though, I think it will be important to try to make the form in which money is provided match the time frame over which it is needed. Operating support can be funded year-to-year, though short-term, multi-year contracts between DOT and Amtrak might be more efficient (the British franchises used 5 to 10 year periods, for example). It is much more difficult to manage the investments and rehabilitation effort needed to protect existing assets without assurance of stable funding, and it is nearly impossible to consider a serious program of capacity expansion and improvement without access to some form of assured, multi-year funding. How this might be done I will have to leave to the experts; but finding a workable solution is the *sine qua non* of real progress.

One of the immediate issues facing Amtrak is that of appropriations for the coming year. The Senate has voted to appropriate \$1.346 billion, while the House has voted to give Amtrak \$900 million. Amtrak has said that it will need \$1.8 billion just to tread water. At this moment, I cannot predict what the Congress will appropriate for Amtrak, whether it will be \$900 million or something closer to the Senate figure. But I think we can assume with some certainty that Amtrak will not get \$1.8 billion it says it needs. Obviously, difficult choices will have to be made about how the money is to be spent.

Question 1a. As an Amtrak board member, where will you recommend Amtrak should focus its limited funds next year?

Answer. Amtrak has not been investing enough over the past five to seven years to maintain its equipment and fixed assets, and this threatens its ability to maintain its current schedule. Sustained under-maintenance also raises a concern for possible safety problems. Accordingly, if confirmed, my first priority would be to review the Amtrak plans to ensure that any potential safety problems have been addressed (I expect that they have). Next, I would support efforts to restore the essential capacity needed to reduce equipment-caused delays and provide adequate backup equipment. Such a program would protect and enhance train reliability where Amtrak controls operations (most of the NEC), and would reduce Amtrak's contribution to train delays outside the NEC, where on-time performance also depends on the efforts of the freight railroads.

Question 2. How will you prioritize the spending needs, including infrastructure improvements, maintenance of safety, security, service improvements, and operation of long-distance trains?

Answer. Safety and security should be the highest priority. The second priority should be simply to recover the capacity and reliability that have been lost as a result of not repairing wrecked or worn out cars and locomotives for long distance trains. Improving the availability and reliability of the Acela trains is also important, as Acela revenues are important for Amtrak's business. Even at the funding

levels requested by Amtrak (which, as you suggest, may not actually be appropriated) it will be very difficult to increase either capacity or performance of the system beyond existing levels.

Question 2a. What sort of financing do you believe is necessary in order to grow intercity passenger rail service in the United States?

Answer. The types of things that would need to be financed to *grow* rail passenger service include: a better and larger rolling stock fleet (long haul and short haul); a continuing effort to upgrade the capacity and reliability of the infrastructure of the NEC; and, a concentrated program in cooperation with the freight railroads to identify and resolve operational problems on the long-distance network. A much larger program of growth would include the "emerging corridors" as studied by the FRA ("High-Speed Ground Transportation For America," U.S. DOT/FRA, August 1996). While I believe that great potential for growth in U.S. rail passenger service may lie in these short haul, emerging corridors, where growing highway and airway congestion may require increased use of rail capacity, I also take very seriously Amtrak's mandate to operate its overnight and transcontinental trains effectively.

As to types of financing, it will be important that the length and availability of the financing be consistent with the investment needs. It is difficult and expensive to finance multi-year programs, which build long term assets, without a source of funding that is stable, predictable and with a long payback period.

Question 2b. Your record demonstrates that you have extensive experience in the railroad industry, as an associate administrator at the Federal Railroad Administration and later as a railways advisor for the World Bank. In your position with the World Bank, you worked with passenger rail operations all over the world, using your expertise to offer advice about the many issues that face all passenger rail operations. From your record with the World Bank and from your published writings (of which there are many), you appear to be a proponent of privatizing publicly-run passenger rail systems. I have a few questions to ask you regarding this kind of privatization.

Answer. I believe that my record demonstrates that I am a proponent of strengthening rail services, freight and passenger, by whatever means are most appropriate to the circumstances. I am *not* "a proponent of privatizing publicly run passenger rail systems." Though I did support the concessioning (not privatization) of the operation of the suburban rail services and the Metros in Buenos Aires and Rio de Janeiro, I also supported far larger investments in the *publicly* run systems in over 25 other countries, including India, China and Russia (among the largest passenger railroads in the world). My entire career in the U.S. rail passenger area was spent in supporting *public*, not private, investment in rail passenger services. Of the 100 publications I identified for the committee, 80 dealt with issues unrelated to (or broader than) private involvement in railways. Of the 20 publications that did deal with private issues in transportation, most were related to the concessioning of *freight* railways, not passenger railways, and three dealt with privatizing *trucking* companies in Poland and Hungary (I am an advocate of private ownership and operation of trucking companies). Because my position on "privatization" of passenger railways seems to be important and has been distorted, let me quote from what I consider to be the most important conclusion of a paper I recently wrote on experience with rail restructuring: "[e]xperience in all cases shows that dogma should be rejected on both sides of the private sector argument. There is simply nothing to support an argument that rail infrastructure or operations should necessarily be public (or private): there have been more or less successful approaches on either side." (page 351 in the paper "Changing railway structure and ownership: is anything working?" Copy furnished to the Committee). This was, and remains, my position: how this was converted into the allegation that I primarily support *privatization* of rail passenger services remains a mystery to me.

Question 3. Privatized passenger rail systems in other countries continue to need public investment. If Amtrak were privatized at least partially, what kind of public investment would continue to be needed for passenger rail? Would the public investment be less or greater than it is now?

Answer. Only in Japan were passenger rail services actually *privatized*; in all other cases they were concessioned or franchised, specifically *because* public money was going to be needed to support investment and to pay the difference between the fares the governments wanted to establish for social reasons and the costs of operation required. The difference between privatization and concessioning is significant. In virtually all rail passenger cases (including Amtrak), market-based revenues cannot cover costs, and privatization (where assets are sold and services that do not cover their costs are closed) would simply not be feasible. A decision to "privatize" Amtrak would be a decision to close it, and the same would be true for every

other rail passenger service in the U.S. (and probably elsewhere, except Japan and possibly China). Concessioning or management contracting, in which the public sector plans and finances rail services, but asks the private sector to operate them, almost always requires continuing public assistance for both capital and operating support. The question is whether private operation yields lower costs than public operation, and this can differ depending on the circumstances. It is clear that concessioning or management contracting of Amtrak services would continue to require some public support for capital and operating deficits, but I do not know whether it would necessarily yield savings over Amtrak's current performance, nor do I know whether such an approach can be done in an acceptable way.

Question 4. A recent CRS study shows that of 14 countries examined for their rail privatization efforts, only in Japan is intercity passenger rail service consistently profitable. However, this is based on the Japanese government transferring about \$300 billion in debt from the former Japan National Railways to a government corporation rather than to the national railway's successor companies. That number represents well over 11 times the amount spent by the United States in supporting Amtrak in the last 30 years. This is an interesting fact considering that Japan is just a little larger than the state of California and has a much smaller population than the United States. If we invested \$300 billion in Amtrak's infrastructure and operations, would the system then be profitable? What does this say about the costs of making privatization acceptable?

Answer. As noted in the paper (page 334) furnished to the Committee, of the \$337 billion in debt accumulated by the old Japanese National Railways, \$206 billion was assumed by the (public) Settlements Corporation (along with substantial assets) and \$131 billion (almost 40 percent) was transferred to the new, privatized companies. It is interesting that, in the comparison given, while Japan is only a little larger than California, it has a population of about 30 percent of the entire U.S. Moreover, because much of Japan is mountainous, the habitable land area is actually far smaller than California. As a result, population densities and distances in Japan are ideal for rail passenger services. In addition, gasoline in Japan costs over \$4.00 per gallon and highway tolls are five to ten times U.S. levels. As a result, the (private) Japanese railways carry 380 times as many passengers as Amtrak, about 27 times the passenger-miles, and generate 21.5 times more revenue (these ratios are 21.7, 10.5 and 12, respectively, if U.S. suburban operators are added to the Amtrak numbers).

Whether a \$300 billion investment would make an American intercity rail passenger operation "profitable" would depend on whether it was a grant or an interest-bearing loan, and on the way in which the money was invested. Past studies have suggested that certain investments in high-density rail passenger corridors could yield operations with a positive cash flow, if operated efficiently. Similarly, investments in the facilities and equipment of some long-distance routes might permit a higher quality of service that produces more revenues, lower unit costs, and a reduced deficit. In the absence of specific plans and detailed financial projections, I don't think I can say much more.

Question 5. The British government, which privatized its passenger rail system a few years ago, wound up bailing out one private rail operator to the tune of 58 million pounds (\$97M) and another private operator for 115 million pounds (\$193M). Another private railroad in Britain was forced to cut 160 trains because of problems it had with recruiting and retaining train operators. The DOT recently issued proposed legislation that would make it possible after a few years for private rail operators to take over portions of the current Amtrak system. With the demonstrated failures in Britain in mind, do you think that the experience with private operators would somehow be different in the United States?

Answer. The experience in the U.K. with rail passenger privatization is both mixed and mischaracterized (as discussed, for example, in the paper I furnished the Committee at pages 347 to 351). It is clear that the approach used was too complex, too fast, and without a clear concept of a longer-range government role. It is also clear that privatizing the infrastructure failed, and some of the 25 franchises had problems requiring government intervention. At the same time, passenger-miles in the U.K. are higher than in any year since 1947, and the actual safety record is significantly *better* than under British Rail. It is also critical to recall that the British Government did not undertake rail reform for no reason: they acted because they believed (rightly or wrongly) that the publicly owned and operated British Rail had failed, and could not be reformed in public hands.

I believe that the main lessons for the U.S. from the British Rail privatization, the Latin American concessioning experience (passenger and freight), and the Japanese privatization are: first, if the existing approach is not going to suffice to meet

future challenges, positive change is possible; and, second, if we are going to make changes, we should be very careful in how we do it. We need carefully assessed and agreed evolution rather than revolution, and we need an approach suited to U.S. circumstances and objectives.

Question 6. In your past experience with the Federal Railroad Administration, I note that you were in charge of the \$2.5 billion Northeast Corridor Improvement Project for eight years. This project was initiated in 1979 to improve high-speed rail passenger service between Washington, New York, and Boston. I was here in the Senate back then, and I seem to remember that the project ran into problems with cost overruns. GAO reports issued during that time found that the unexpected high costs of the project meant that some of the planned work had to be reduced. This problem of cost overruns is not a unique one in the transportation industry. (The best example going now: the Big Dig in Boston).

What was your role in the project? How can you explain the repeated revising of costs? From your experience with the Northeast Corridor Improvement Project, what would you do to steer Amtrak clear of similar cost overruns as it makes needed infrastructure improvements?

Answer. The Northeast Corridor Improvement Project (NECIP) was authorized in the Railroad Revitalization and Regulatory Reform Act of 1976 (the "4R Act"). The original NECIP budget was \$1.75 billion, and the goal was that it would take 5 years to achieve a schedule of 2 hrs 40 minutes from New York to Washington, DC, and 3 hrs 40 minutes from New York to Boston. The source of the original budget, timetable and trip time goals predated my management of the project, and I was never able to fully understand how they were established.

By mid-1978 it had become clear that the project was over budget, behind schedule, and suffering from managerial and organizational problems. I was asked to return to the Government (I had been a private consultant for five years and had no involvement in the planning or initial management of the NECIP) to reorganize and direct the project in late May 1978, with instructions to produce a better budget and project schedule. In September 1978, I reported to the Secretary of Transportation that it would take \$2.4 billion (an immediate correction caused this to be raised to \$2.5 billion) and around 8 years to complete the project as planned. Congress agreed to increase the authorization to \$2.5 billion in 1980. In 1981, the Administration directed that the project budget be reduced to \$2.19 billion, and project scope was reduced accordingly (primarily by cutting the new electrification from New Haven to Boston and retaining the old style electric traction system between New York and Washington). The 1981 cuts meant that the trip time goals north of New York could not be met, and they reduced the speeds attainable south of New York. In short, after I began managing the NECIP, the budget and schedule increased once in order to make them more accurate, Congress accepted this increase, and the budget never changed again: indeed, the budget was actually decreased. I received awards or recognition from the Federal Railroad Administrator, the Secretary of Transportation and Presidents Carter and Reagan for my accomplishments in setting the new budget and objectives, and in realizing them.

The question of how to control public project costs is one that I have spent a lot of time thinking about because I have managed projects in both the public and the private sector. I fully share your concern over the performance of public agencies in controlling project budgets and schedules. I believe that the prevalence of public "overruns" has a number of causes.

First, there are incentives on all sides to overstate benefits and understate costs of public projects, because "under-promised" projects are not funded, while few project promoters ever suffer from over promising. Many of the apparent overruns on public projects are actually due to unrealistic expectations in the first place. A related point is that multi-year project authorizations should be stated in constant, rather than current, dollars (appropriations would be in current dollars, of course). A crucial dilemma of the multi-year NECIP was that inflation was running in the 8 to 12 percent range, and the actual value of the authorization target was decreasing accordingly. The project manager should be responsible for project costs: he or she should not have to be an expert in predicting the course or effects of inflation.

Second, most public projects have multiple objectives, and it is hard for the manager to make the required tradeoffs. On the NECIP, for example, there were clear, overall trip time goals; but, there were also objectives relating to historical preservation, creation of capacity for commuter operators, reduction of impact on freight railroads, building cost-shared stations and parking garages, and urban redevelopment, among others. It was never possible to meet *all* of the goals simultaneously, but it was common to be criticized if *any* of them were not met.

Third, the public project manager rarely has full authority over the work to be done. There are many decisions—personnel, procurement and legal, for example—

for which the manager must seek the approval of others who do not have the responsibility for the outcome of the overall project. This diffusion of authority has an inevitable impact on cost and schedule, and it actually makes it impossible to hold anyone responsible for results. This was compounded on the NECIP because many of the decisions involved reaching agreement among the FRA, DOT, Amtrak, 3 freight railroads, 6 commuter rail authorities, 9 States and many cities. Decisions took longer, and costs were higher, than they might otherwise have been.

If confirmed, what I would like to emphasize at Amtrak is the clearest possible definition of what each project is meant to accomplish and why. I would put emphasis on examining the cost estimates and on post-project reporting to ensure that what is promised is delivered. I would ask that managers be identified in advance, given adequate authority, and held responsible afterward. More broadly, I would like to put a lot of emphasis on developing better information about nearly everything Amtrak does. Good information is the key to better management and will be crucial to developing a stronger consensus on Amtrak's mission.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN F. KERRY TO
LOUIS S. THOMPSON

Question 1. Do you support the \$900 million budget for Amtrak proposed by the Bush Administration for FY 2004? If so, please describe how Amtrak will operate at this funding level.

Answer. I did not support this level of funding in my testimony, on the grounds that it would not deal with the backlog of maintenance and investment that faces Amtrak. I think Amtrak might be able to "limp along" for another year or so (as DOT's Inspector General said), but the problem should be faced sooner rather than later.

Question 2. Do you support the administration's proposal, now in the form of legislation, to break Amtrak apart into three separate entities, two of which would be run privately, and force states to pick up the majority of the operating costs? What are your views on this legislation?

Answer. Please see the answer provided separately, entitled "Views on the Administration's Proposed Legislation: The Passenger Rail Investment Reform Act."

Question 3. Do you believe it is the responsibility of Board Members to support the current national passenger rail service operated by Amtrak, or do you believe that members should look for alternatives such as what the Bush administration is proposing?

Answer. I believe that the Board has two responsibilities: first, it should advise the

Congress and the Administration of the costs and demand implications of all route structure and investment decisions; second, it must ensure that all money entrusted to Amtrak is managed effectively. I think it is the responsibility of the Congress and the Administration to decide on Amtrak's mission and to provide adequate funding for that mission: it is the responsibility of the Board to ensure that Amtrak fulfills that mission.

VIEWS ON THE ADMINISTRATION'S PROPOSED LEGISLATION: THE PASSENGER RAIL
INVESTMENT REFORM ACT

Response by Louis S. Thompson to Question by Senator McCain, Senator Hollings and Senator Kerry.

At the request of Senators McCain, Hollings and Kerry, I have reviewed the Administration's proposals (the Passenger Rail Investment Reform Act—PRIRA) along with the sectional analysis. In this connection, I also reviewed the statement before the Committee, "The Future of Intercity Passenger Rail Service and Amtrak," by Kenneth M. Mead, Inspector General of the U.S. Department of Transportation (October 2, 2003). My opening statement before the Committee on November 6, 2003 and the paper furnished to the Committee, "New Rail Passenger Structures in the United States: Using Experience from The E.U., Japan and Latin America," are also pertinent to the answer below.

I am not a lawyer, and I am not versed in the relationships among these legislative proposals and the complex body of existing law. Instead, my comments are only related to what I understand to be the content and vision embodied in the proposal.

In his transmittal letter to the Congress, Secretary Mineta stated: "I am also convinced that intercity passenger rail service can and will continue to play a valuable role in the U.S. transportation system." He concluded, however, "that Amtrak cannot survive as a viable mode of transportation without structural reform." Kenneth

Mead agreed, “that the current, overall approach to designing, governing and funding the intercity passenger rail system in this country is broken.” The Committee has received very similar advice from the GAO and the Amtrak Reform Council. The underlying premise of the Administration’s proposals, that the institutional framework needs change, seems to me to be established beyond further argument.

In broad terms, the Administration’s vision calls for a fundamental shift in the Federal role in intercity rail passenger transport. Explicitly, or implicitly, the proposal argues that:

- There is no continuing Federal role in the operation of the 17 long distance, “national system,” trains. Over a period of six years, the various states would be given the opportunity to establish Compacts to support these trains and the Compacts would contract with a successor company to operate the services. If Compacts are not established, or if some states cannot or will not contract to pay the full deficits, then some or all of these trains would be terminated.
- The continuing Federal role in the short haul services, including the Northeast Corridor high speed trains and any new “Emerging Corridor” trains, should be limited to paying half the cost of eligible capital investments involved in retaining or expanding capacity for services. There would be no continuing Federal role in operating support. This parallels the current approach to funding by the Federal Transit Administration.
- The Federal interest in the Northeast Corridor infrastructure, now owned by Amtrak, should consist of a fully funded rehabilitation program, after which the eight states (and the District of Columbia) should assume full managerial responsibility, and the Federal role should be limited to 50 percent of capital investments as for any other short haul services.
- Today’s Amtrak would remain as a device for holding the authority that Amtrak now enjoys for operations over the lines of the freight railroads. Train operating authority would be transferred to an operating company (the Passenger Rail Service Provider—PRSP) that would provide passenger services under contract to the U.S. DOT at the outset, but would shift progressively to contracting to the State Compacts. The provider would have the right to use the existing Amtrak rolling stock. The Compacts would have the option of contracting with other operating companies if they chose. Management authority for the NEC infrastructure would be vested in a new company, the Passenger Rail Infrastructure Manager—PRIM, which would carry out the NEC rehabilitation program and schedule, maintain and dispatch the NEC under contract to the NEC Compact.
- Though it is partly implied, the Administration’s proposal would open up the possibility for more private operation of rail passenger services, either through eventual sale of the shares in the PRSP or PRIM, or through allowing the new Compacts to put the services up for competition if they choose to do so.
- Amtrak’s employees would be compensated (up to \$50,000) if adversely affected by the changes, and Amtrak’s existing public debts would be expunged: debt to private lenders would be transferred to the successor compacts.

The critical issues—is there a Federal role in funding the losses of *any* types of intercity rail passenger services, and what should be the balance between Federal capital funding for long haul versus short haul intercity rail passenger services—are clearly posed. On grounds of transport economics, there are obvious differences in the “need” for the various types of service. However, rail passenger support decisions are rarely, if ever, based solely on transportation considerations. Governments inevitably juxtapose economic with social issues—national connectivity, regional balance, need to provide service to remote areas, and tourism, among many others, to reach an approach that works. Amtrak management and the Board can advise the Congress and the Administration on the factual issues of costs, revenues and patronage of rail services. I am not well qualified to discuss the “political glue,” as Kenneth Mead phrased it.

Federal financing shares in transportation have ranged from 100 percent (construction and operation of waterways), 90 percent (Interstate Highways), 70 percent (Federal Highways), 50 percent (FTA contribution to local transit capital costs), to zero (most freight railroads). I do not see a compelling reason for choosing a particular percentage that would apply uniformly to all intercity rail passenger activities. I do believe that there is a good basis for shifting more of the planning and managerial burden for the short haul trains to State and local governments. This argues for a higher percentage of Federal involvement in the long haul than the essentially local, short haul trains: it also argues for giving the local authorities more control over which services are provided for them, and by whom. The Northeast Cor-

ridor—directly serving the transport needs of eight states and the District of Columbia (about 30 percent of the total U.S. population), and providing the terminus for 9 of the 17 overnight and transcontinental trains—is clearly of “national” significance, and should also qualify for a higher Federal interest.

Separation of the Northeast Corridor infrastructure from all operators is (as Mead also argues), an area for caution. It is more important to distinguish the economics of the NEC than it is to separate its management. At least for the time being, the NEC infrastructure should be scheduled and dispatched by the end-to-end operator. Keeping the maintenance and construction activities under the control of the same agency would reduce the risk of disruption that separation would pose. In the longer run, if the states involved have a greater voice in the management of the infrastructure, they can make their own arguments as to the of future the NEC infrastructure and operations.

The issue of opening a greater role for the private sector in providing rail passenger services is a hard one, partly because it is often presented in either/or terms rather than being seen as (only) one of the tools available for providing some services more effectively and with better customer focus. The issue should be on the table for discussion, but actually moving the boundary between public and private operation is a matter for careful analysis, negotiation and (as the legislation recognizes) compensation if harm is done. I do not favor privatization of Amtrak in the purely commercial sense: that would lead to an end to intercity passenger rail services. I do argue that there might be a positive role for the private sector in reducing service costs and improving quality.

I would also like to discuss two areas that are not addressed in the Administration’s proposal, but which seem essential to support change.

- The proposal authorizes “such sums as may be necessary,” without providing a more specific estimate, or source, of the funding to be required. Without a more definite estimate and assurance of multi-year funding, it would be difficult for a State (or a Compact) to know what kind of burden it is supposed to assume if it accepts transfer of the responsibility for providing a service. I believe that more specific numbers are needed before any reaction can be expected from States. It may take time to prepare and agree on these numbers. This would clearly have a bearing on the feasibility of rapid establishment of the large number of interstate Compacts envisioned in the proposed legislation.
- A particularly frustrating aspect of Amtrak policy debates is that the information needed to support decisions is often either nonexistent or unreliable. For example, we do not know how much it actually costs to operate or maintain the NEC infrastructure. I am not at all confident that the existing route-by-route profitability statements give a useful answer to the question of what would happen if the route structure were changed by adding or removing individual routes, or sets of routes. Among other things, this makes it impossible to explain why some routes are favored, and others deleted, in route structure decisions. It also makes it impossible to determine whether pricing and investment decisions generate the payoff predicted, either in terms of revenues or the net effect on the corporate funds flows. The Administration’s proposal adopts a relatively rapid approach in which improved information would take longer to generate than the transition schedule will apparently permit. If there is going to be a Federal role in the support of intercity passenger service over the longer term, even if solely in capital funding, I believe that an effort to develop better information will be amply repaid.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN MCCAIN TO
FLOYD HALL

Question 1. I am very interested in hearing why each of you is interested in serving on the Amtrak Board of Directors. (Did you offend the President in some way?)

Answer. I believe that this country needs a passenger rail system. For years I have heard the debate about Amtrak, its huge losses, its inability to change and its lack of a universally agreed to near and long-term mission. The President wants to insure that sound business fundamentals are instilled throughout Amtrak and I am hopeful that I can contribute to his objective from a financial, strategic, and operational standpoint.

Question 2. What do you consider to be the appropriate role of the Amtrak’s Board of Directors? Do you see yourself as taking an active role in determining the future of Amtrak?

Answer. It is clear to me that the Board of Directors must insure that Amtrak has a realistic operations plan and that it is implemented within acceptable budgetary requirements. Because of the Federal Government's involvement in Amtrak and the company's dependence on taxpayer monies, I believe that the Board has the responsibility of assuring accurate and timely accounting of how the funds are used and whether or not the spending attained their objectives.

The Board has an obligation to oversee that the company is efficient and looking for ways to attract incremental revenue growth. In addition, the Board will be responsible for faithfully carrying out any reforms the Congress might enact. In this regard, I would expect that the Administration and Congress will seek input from the Board (once we are up to speed) on Amtrak's progress and its future outlook.

Question 3. Who do you believe you represent in your capacity as a Board member?

Answer. I believe I serve four constituents: The elected Federal and State Representatives, the taxpayers, the employees of Amtrak, and the customers using Amtrak's services.

Question 4. Amtrak operates a number of long-distance routes that lose hundreds of dollars per passenger. The Sunset Limited, which operates from Los Angeles to Orlando, lost over \$400 per passenger in Fiscal Year 2002. Do you think this kind of subsidy is warranted?

Answer. With only one briefing, (1½ hours) I need substantially more information to intelligently address this question. As a taxpayer, my initial reaction is no. On the other hand, in many businesses it's not uncommon to subsidize a particular operational program when it's considered essential to the overall strategy. I'm also not aware of what efforts have been made to reduce expenses or increase revenues on the questionable routes.

Question 5. How do you believe decisions should be made to add, reduce, or eliminate train service?

Answer. The Board of Directors has a duty to inform its stakeholders what the costs are for each of the train services. By providing clear, accurate, and timely data, in addition to potential revenue gains, decisions can be made more easily, within an overall cohesive strategy.

Question 6. What is your assessment of the Administration's legislative proposal for reforming Amtrak?

Answer. I'm in the process of reviewing it along with the other foot of information I received at my first briefing.

Question 7. In a normal business, the consequences of not meeting a company's business plan include a lower stock price, cost-containment measures, reductions in service, salary freezes, and the elimination of bonuses. Amtrak has consistently failed to meet its business plan, but the only real consequence has been to increase the financial burden on the American taxpayers. What consequences should apply to Amtrak? Wouldn't the introduction of competition help motivate Amtrak to operate more efficiently and follow through on its business plan?

Answer. The Amtrak business plan must be realistic and measurable with specific timelines. Allocation of funds should be tied to the quality of the plan, its execution and the performance results. Assuming the Federal and State Governments provide adequate funding, the Board has a fiduciary responsibility to question variations in its planned objectives and make recommendations accordingly to improve efficiency. As indicated earlier, I have much to learn about the specific structural, legal, and working operations of Amtrak and I'm not in a position to comment at this time on how competition would affect Amtrak pro or con.

Question 8. If confirmed, will you be willing to comply with the Security and Exchange Commission's new corporate governance rules for publicly-traded companies, including the rule that non-management directors meet at regularly scheduled executive sessions without management?

Answer. Yes.

Question 9. Mr. Hall, how do you think you can apply your experience turning around Kmart and Grand Union Supermarkets to improving Amtrak's performance?

Answer. I believe that the vast majority, if not all, companies that are poor financial performers share common characteristics such as: a lack of good strategic planning, a clear agreed to mission statement, sufficient funding, accurate and timely accounting, professional management, unrealistic goals, an unproductive culture, poor cost controls and a fear of change; to name a few. Turning around a company requires identifying its problems and its opportunities, developing action plans and being obsessed with its progress on those plans. As a Director, I favor a partnership

role with management to help correct the company's weaknesses and capitalize on its opportunities.

Question 10. What similarities do you see between Kmart and Amtrak as businesses?

Answer. All companies have more in common than differences. This is particularly true for financially troubled ones. In addition to the professional management techniques, procedures, and conditions I mentioned above, it appears from my limited review of Amtrak, that both companies also share(d): a poor infrastructure, (outdated and underfunded) high overhead costs relative to revenues, too much debt and a lack of focus on key issues. In addition, there are also similarities in logistics. Of Kmart's 275,000 associates, approximately 60,000 are focused on moving \$4 billion to offshore purchases and \$33 billion of domestic purchases by ship, air, rail, and truck to 2,100 locations nationwide annually.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. ERNEST F. HOLLINGS TO
FLOYD HALL

Question 1. There are a number of bills pending in Congress now proposing substantial changes intended to improve Amtrak's performance, fiscal health, and infrastructure. However, the bills take very different approaches in attempting to achieve those improvements. What do you believe the Federal Government's role should be in making the very needed improvements to Amtrak?

Answer. First and foremost, I see my role as a member of Amtrak's Board, should I be confirmed, as helping to assure that the company operates efficiently and effectively consistent with existing law and sound business principles. We should be more of the implementer rather than the maker of Federal transportation policy.

I have not yet read all of the proposed legislation addressing the future of Amtrak. I am aware, from my recent discussions, there are a number of different views as to the appropriate Federal role, but I don't know enough about the specifics of Amtrak's finances, operations and history to advocate one bill over another.

Question 2. Are there specific provisions in the Administration's proposal for restructuring Amtrak that you believe have particular merit? Are there provisions that concern you as being unworkable? Do you believe that the states will participate to the extent envisioned by the legislation? What do you think of the proposal to establish a state compact to manage the Northeast Corridor? Do you support separating infrastructure from operations in the Northeast Corridor?

Answer. As I have mentioned, I have not yet read all of the proposed legislation addressing the future of Amtrak. I don't know enough about the specifics of Amtrak's finances, operations and history to advocate one bill over another.

Question 3. One of the immediate issues facing Amtrak is that of appropriations for the coming year. The Senate has voted to appropriate \$1.346 billion, while the House has voted to give Amtrak \$900 million. Amtrak has said that it will need \$1.8 billion just to tread water. At this moment, I we cannot predict what the Congress will appropriate for Amtrak, whether it will be \$900 million or something closer to the Senate figure. But I think we can assume with some certainty that Amtrak will not get \$1.8 billion it says it needs. Obviously, difficult choices will have to be made about how the money is to be spent. As an Amtrak board member, where will you recommend Amtrak should focus its limited funds next year?

Answer. If confirmed, my first objective is to meet with Amtrak's management to review in detail Amtrak's short-term investment plans and needs. I would prefer to defer opining on the specifics of next year's funding until I have had a chance to learn more from those closest to this issue. I will say, however, that as with all well run businesses, I would expect Amtrak's management to make a sound business case for its proposed investment plan and be able to discuss in detail, pros and cons of alternative investments.

Question 4. How will you prioritize the spending needs, including infrastructure improvements, maintenance of safety, security, service improvements, and operation of long-distance trains?

Answer. The safety and security of Amtrak's current operations should have the highest priority for the use of available funds, followed closely by expenditures that will generate profitable revenue growth.

Question 5. What sort of financing do you believe is necessary in order to grow intercity passenger rail service in the United States?

Answer. I don't know what funding mechanisms the Federal or State governments should use to cover the losses of the trains they choose to operate or the funds needed for infrastructure improvements.

Question 6. You have extensive business leadership experience with several well-known American companies, including K-Mart, Grand Union Supermarkets, Target, B. Dalton Bookseller, Singer, and Montgomery Ward. All of these are (or were) organizations involved in retail marketing. They are (or were) supported financially through the sale of publicly traded stock. All of them had a number of direct competitors. Amtrak, on the other hand, has the single function of providing transportation to passengers by rail. It is funded solely and directly by the Federal Government. It is not answerable to stockholders, but it is subject to the vagaries of local, state and Federal politics. Its competitors are other modes of transportation which benefit from huge investments of Federal dollars.

It seems to me that the companies you have led have nothing in common with Amtrak. Based on your experience, what do you think you can bring to the Amtrak Board?

Answer. As I stated earlier, I feel there are many commonalities. In addition, during my twenty-nine years as a Chief Executive, I've ran or owned growth companies, (Target and Museum Company) sports and entertainment companies, (baseball, ice arenas, Essex Equestrian) manufacturing companies, (Alva and Glassmasters) international telecommunications company (Lynx Telecommunications) and a video production company of World War II docudramas (Kenwood Productions). All of these companies were focused on their customers and success was dependent upon fulfilling their needs and attaining a high level of customer satisfaction. This requirement is true of Amtrak and I trust an area where my past experience can benefit the corporation.

Question 7. How do you think your experiences in the retail world will translate to leadership of an ailing, chronically underfunded, passenger rail system?

Answer. I believe that the vast majority, if not all, companies that are poor financial performers share common characteristics such as: a lack of good strategic planning, a clear agreed to mission statement, sufficient funding, accurate and timely accounting, professional management, unrealistic goals, an unproductive culture, poor cost controls and a fear of change; to name a few. Turning around a company requires identifying its problems and its opportunities, developing action plans and being obsessed with its progress on those plans. As a Director, I favor a partnership role with management to help correct the company's weaknesses and capitalize on its opportunities.

Question 8. What do you plan to do to bring yourself "up to speed" on transportation issues in general and Amtrak in particular?

Answer. With only one hour-and-a-half briefing, I need to spend more time with Amtrak staff to get familiar with all the issues. I also need to complete reviewing the substantial amount of information that has already been provided to me.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN F. KERRY TO
FLOYD HALL

Question 1. Do you support the \$900 million budget for Amtrak proposed by the Bush Administration for FY 2004? If so, please describe how Amtrak will operate at this funding level.

Answer. If confirmed, my first objective is to meet with Amtrak's management to review in detail Amtrak's short-term investment plans and needs. I would prefer to defer opining on the specifics of next year's funding until I have had a chance to learn more from those closest to this issue. I will say, however, that as with all well run businesses, I would expect Amtrak's management to make a sound business case for its proposed investment plan and be able to discuss in detail, pros and cons of alternative investments.

Question 2. Do you support the administration's proposal, now in the form of legislation, to break Amtrak apart into three separate entities, two of which would be run privately, and force states to pick up the majority of the operating costs? What are your views on this legislation?

Answer. I'm in the process of reviewing it along with the other foot of information I received at my first briefing.

Question 3. Do you believe it is the responsibility of Board Members to support the current national passenger rail service operated by Amtrak, or do you believe that members should look for alternatives such as what the Bush administration is proposing?

Answer. It is clear to me that the Board of Directors must insure that Amtrak has a realistic operations plan and that it is implemented within acceptable budgetary requirements. Because of the Federal Government's involvement in Amtrak

and the company's dependence on taxpayer monies, I believe that the Board has the responsibility of assuring accurate and timely accounting of how the funds are used and whether or not the spending attained their objectives.

The Board has an obligation to oversee that the company is efficient and looking for ways to attract incremental revenue growth. In addition, the Board will be responsible for faithfully carrying out any reforms the Congress might enact. In this regard, I would expect that the Administration and Congress will seek input from the Board (once we are up to speed) on Amtrak's progress and its future outlook.

