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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
EXPECTED AT 9:30 A.M.,
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STATEMENT OF
HERBERT MCLURE, ASSOCIATE DIRECTOR
COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION



115084

BEFORE THE
SUBCOMMITTEE ON COMMERCE, TRANSPORTATION, AND TOURISM
HOUSE COMMITTEE ON ENERGY AND COMMERCE

ON

[NORTHEAST CORRIDOR IMPROVEMENT PROJECT BUDGET CUTS]

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

WE ARE HERE TODAY TO DISCUSS THE RESULTS OF WORK YOU REQUESTED LAST MONTH ON THE POTENTIAL COST OF TERMINATING ELECTRIFICATION AND SIGNALING CONTRACTS THAT WOULD NO LONGER BE NEEDED IF THE PROJECT IS CUT BACK.

[THE PRESIDENT HAS PROPOSED THAT THE CORRIDOR IMPROVEMENT PROJECT BUDGET OF \$2.5 BILLION BE REDUCED BY ABOUT \$310 MILLION. THE FEDERAL RAILROAD ADMINISTRATION (FRA) PLANS TO SAVE THIS AMOUNT BY REDUCING SPENDING ON ELECTRIFICATION] BY ABOUT \$145 MILLION, [SIGNALING] BY ABOUT \$95 MILLION, [BRIDGES] BY ABOUT \$40 MILLION, [AND STATIONS] BY ABOUT \$30 MILLION. FRA PLANS TO SAVE AROUND \$20 MILLION BY TERMINATING ELECTRIFICATION AND SIGNALING CONTRACTS FOR WORK ALREADY STARTED AND THE OTHER \$290 MILLION BY NOT STARTING PREVIOUSLY PLANNED ELECTRIFICATION, SIGNALING, BRIDGE, AND STATION WORK.

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MOST OF THE ELECTRIFICATION SAVINGS ARE TO BE ACHIEVED BY ABANDONING PLANS TO ELECTRIFY THE NORTH END OF THE CORRIDOR BETWEEN NEW HAVEN, CONNECTICUT, AND BOSTON, MASSACHUSETTS. FRA HAS TERMINATED OR PLANS TO TERMINATE EXISTING CONTRACTS EITHER IN WHOLE OR IN PART TO SAVE \$10 TO \$15 MILLION. MOST OF THE SAVINGS, ABOUT \$130 TO \$135 MILLION, WILL COME ABOUT BECAUSE FRA WILL NOT START WORK THAT WAS PREVIOUSLY PLANNED.

THE \$95 MILLION BUDGET CUT IN SIGNALING MEANS THAT [THE PRESENT SIGNALING SYSTEM WILL BE REHABILITATED INSTEAD OF BEING REPLACED WITH A NEW, MORE SOPHISTICATED SYSTEM.] FRA EXPECTS TO SAVE \$10 MILLION BY TERMINATING PARTS OF TWO SIGNALING CONTRACTS. THE REMAINDER OF THE SAVINGS (ABOUT \$85 MILLION) IS TO BE ACHIEVED BY NOT DOING WORK THAT HASN'T YET BEGUN.

FRA ALSO PLANS TO SAVE ABOUT \$40 MILLION BY NOT REPAIRING 6 BRIDGES IN CONNECTICUT, AND ABOUT \$30 MILLION BY NOT REFURBISHING TWO STATIONS.

[BECAUSE OF THE CONTRACT TERMINATIONS, FRA WILL HAVE SPENT ABOUT \$30 MILLION ON DESIGNS AND HARDWARE THAT WILL BE OF LITTLE OR NO USE.] ABOUT \$8 MILLION IS FOR WORK ALREADY COMPLETED AND ABOUT \$22 MILLION FOR FRA-ESTIMATED TERMINATION COSTS. [OTHER PROJECT WORK CUTBACKS, BOTH BEFORE AND AFTER THE PROPOSED \$310 MILLION REDUCTION, HAVE ALSO CAUSED WASTED EXPENDITURES, ESPECIALLY FOR DESIGN WORK, BUT WE DO NOT KNOW HOW MUCH.]

ESTIMATING CONTRACT TERMINATION COSTS IS, AT BEST, DIFFICULT AND INEXACT, AND THE PROCESS OF NEGOTIATING TERMINATION CLAIMS CAN TAKE YEARS. FRA DESCRIBED ITS TERMINATION COST ESTIMATES TO US AS BEING "VERY APPROXIMATE ENGINEERING ESTIMATES." WE THINK THIS ACCURATELY REFLECTS HOW INDEFINITE THE ESTIMATES ARE.

IF THE CONTRACT TERMINATION COSTS END UP BEING HIGHER THAN FRA ESTIMATES, OTHER WORK MIGHT HAVE TO BE ELIMINATED FROM THE PROJECT TO MAKE UP THE DIFFERENCE. AS WE NOTED IN TWO PREVIOUS REPORTS, THE WORK ORIGINALLY ENVISIONED FOR THIS PROJECT HAS BEEN STEADILY REDUCED SINCE ITS BEGINNING BECAUSE COSTS CONSISTENTLY EXCEEDED ESTIMATES. IF THE WORK STILL PLANNED COSTS MORE THAN EXPECTED OR IF CONTRACT TERMINATION COSTS ARE HIGHER THAN CURRENTLY ESTIMATED, FRA WOULD HAVE TO ELIMINATE MORE WORK FROM THE PROJECT TO ACHIEVE THE \$310 MILLION REDUCTION.

THE KEY QUESTION ASSOCIATED WITH THE PROPOSED CUTS IS: WHAT KIND OF RAILROAD WILL AMTRAK BE LEFT WITH WHEN THE PROJECT IS COMPLETED? IN MARCH 1979 AND OCTOBER 1980 REPORTS, WE STATED THAT WORK CUTBACKS COULD LEAD TO INCREASED FUTURE MAINTENANCE COSTS, LESS PASSENGER COMFORT, LESS ON-TIME RELIABILITY, AND REDUCED SAFETY FOR PASSENGERS, CREW MEMBERS, AND THE PUBLIC.

WE HAVE NOT FINISHED REVIEWING THE LATEST CUTBACKS' EFFECTS, BUT WILL BE ABLE TO REPORT MORE SPECIFICS TO YOU LATER THIS YEAR. OUR WORK SO FAR INDICATES THAT DROPPING

THE NORTH END ELECTRIFICATION AND REDUCING THE SIGNALING WORK WILL ADD ABOUT 30 MINUTES TO THE TRIP TIME BETWEEN NEW YORK AND BOSTON.) BECAUSE OF THE RELATIVELY LONG 3 HOUR 40 MINUTE TRIP TIME ORIGINALLY PLANNED FOR THIS SEGMENT, ANOTHER 30 MINUTES MAY NOT AFFECT RIDERSHIP TOO MUCH. FURTHERMORE, FRA ESTIMATES THAT ONLY 20 PERCENT OF THE CORRIDOR'S PASSENGERS WILL USE THE NORTH END ANYWAY.

AS WE UNDERSTAND FRA'S CURRENT INTENTIONS, ABOUT \$23 MILLION OF THE SAVINGS IN STATION WORK COMES FROM MONEY BUDGETED FOR IMPROVING THE UNION STATION IN WASHINGTON, D.C. AS YOU KNOW, UNION STATION'S FUTURE IS UNCERTAIN. THE REST OF THE SAVINGS COMES FROM NOT DOING PLANNED WORK ON THE ROUTE 128 STATION OUTSIDE BOSTON.

THIS CONCLUDES MY STATEMENT, MR. CHAIRMAN. WE WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.