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REPORT BY THE U.S.

General Accounting Office

Proposed Amtrak Rail Service Between Philadelphia And Atlantic City

The Rail Safety and Service Improvement Act of 1982 authorized federal assistance for the proposed Philadelphia-Atlantic City rail service project. GAO was asked to review the adequacy of the project's nonfederal funding, the need for and the adequacy of an environmental impact statement, and Amtrak's projection of the revenue to be obtained from operating the rail service.

The project has not progressed as rapidly as anticipated in the 1982 Act. To date, the project is still in the planning and development stage and its future progress is uncertain. GAO found that

--the Secretary has not received the formal written agreements between New Jersey, the Atlantic City Improvement Authority, and Amtrak that are needed to determine the adequacy of the proposed nonfederal funding,

--the Department of Transportation is preparing an environmental assessment but this has not been completed, and

--Amtrak made a reasonable effort in estimating revenue; however, some of the data used in its estimate were of uncertain accuracy.

UNITED STATES GENERAL ACCOUNTING OFFICE

GAO/RCED-85-90
AUGUST 13, 1985

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RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION

B-215192

The Honorable Lawrence Coughlin
Ranking Minority Member
Subcommittee on Transportation
Committee on Appropriations
House of Representatives

The Honorable James J. Florio
Chairman, Subcommittee on Commerce,
Transportation, and Tourism
Committee on Energy and Commerce
House of Representatives

This report responds to questions raised by you regarding the proposed National Railroad Passenger Corporation's (Amtrak's) rail service between Philadelphia, Pennsylvania, and Atlantic City, New Jersey. On March 16, 1984, Ranking Minority Member Coughlin asked us to determine

--whether plans for the 40-percent nonfederal match were firm and adequate;

--the federal, state, and local tax consequences to the private firm--Resorts International--that was to provide the funds used for the 40-percent nonfederal share and whether any such tax benefits should be counted as part of the federal share;

--whether the portions of the rail stations needed for rail service had been correctly identified and distinguished from the areas that were to be used as a casino/hotel and their costs properly accounted for in determining the nonfederal share of total project costs, as required by the authorizing legislation;

--whether a full environmental impact statement is required before federal funds can be released and whether this requirement will be met; and

--whether the Amtrak Board of Directors made a reasonable and objective determination of the project's estimated operating revenues, as required by law.

Subsequently, on April 11, 1984, the Chairman, House Subcommittee on Commerce, Transportation, and Tourism, requested that we address additional questions on the Philadelphia/Atlantic City project. Specifically, the Subcommittee Chairman asked us to determine

--whether the environmental impact statement should consider the overall environmental consequences of initiating the project as compared with the status quo and whether, in considering the environmental consequences of the status quo, the existing and projected level of congestion on the highway system, including the Atlantic City Expressway, should be considered;

--whether we had given consideration to Amtrak's expertise as part of our evaluation of its revenue estimate; and

--whether other trains in Amtrak's system have to meet the same criteria required of the Philadelphia-Atlantic City rail service.

The project is still in the planning and development stage, it has not progressed as rapidly as expected by the Rail Safety and Service Improvement Act of 1982, and its future progress is uncertain. Therefore, we suggested, and your offices agreed, that we should not pursue your requests further at this time. This report confirms those agreements and briefly outlines the status of the project and results of the work that we have completed. We have grouped the questions into three basic areas: the status of efforts to provide the 40-percent nonfederal match requirement, the status of efforts to assess the environmental impact, and a preliminary evaluation of Amtrak's revenue projection.

Our work indicates that

--The state of New Jersey has adopted an alternative plan for providing the 40-percent nonfederal match requirement. Under the alternative plan, funding will be provided by the state and the Atlantic County Improvement Authority. As of July 1, 1985, however, formal written agreements between the state and the Authority, and the state and Amtrak, had not been executed and submitted to the Department of Transportation in order that the Secretary can certify that the nonfederal match requirement has been met. Even if the agreements are signed, the availability of the $30 million federal funding is now uncertain. The President has deferred these funds and recommended that they be used to pay Coast Guard and Federal Aviation Administration operating expenses.

--The Federal Railroad Administration (FRA) is preparing an environmental assessment, but this has not yet been completed. The assessment will include the environmental impact of initiating the project as compared with the status quo.

--Partly on the basis of data supplied by the state of New Jersey, Amtrak estimates that the proposed rail transportation will generate $17.6 million of revenue per year. Our preliminary work indicates that, in estimating the revenue, Amtrak used an economic model that has been evaluated by transportation consulting firms as being a valid model for this type of work. However, some of the data used in the model were of uncertain accuracy. Other shortcomings in the estimate were not as serious. Because of the data problem, the estimate's reliability cannot be determined without considerable additional effort and expense.

BACKGROUND

The Philadelphia-Atlantic City project involves the rehabilitation and other improvement of about 68 miles of track between Philadelphia, Pennsylvania, and Atlantic City, New Jersey, to be used for Amtrak rail service. A rail terminal will also be constructed in Atlantic City. The project was originally expected to be completed in September 1985.

Both federal and nonfederal funds are to be used for the project's total development costs. Thirty million dollars in federal funds have been authorized. The Secretary of Transportation must certify the adequacy of the project's nonfederal funding before the federal funds can be made available.

SCOPE AND METHODOLOGY

We performed most of our work during the period May 1984 through October 1984 at FRA's and at Amtrak's headquarters in Washington, D.C. We reviewed applicable legislation, the state of New Jersey's operating plan for implementing the Philadelphia-Atlantic City rail service, FRA's environmental impact procedures, documentation pertaining to Amtrak's revenue projection, and other pertinent data. We discussed plans for obtaining the 40-percent nonfederal matching funds and the environmental impact statement with FRA's Deputy Associate Administrator for Passenger and Freight Services; the FRA attorney adviser and environmental specialist assigned to this project; New Jersey's Director, Transportation Planning and Research; and Amtrak's Senior Director, Route and Service Planning. We discussed Amtrak's revenue projection methodology with FRA's Deputy Associate Administrator for Passenger and Freight Services; Amtrak's Senior Director, Route and Service Planning; and Amtrak's Director, Market Planning and Forecasting. Our work was performed in accordance with generally accepted government auditing standards. We have continued to monitor the progress of this project through discussions with FRA's Deputy Associate Administrator for Passenger and Freight Services; FRA's environmental specialist assigned to this project; and New Jersey's Director, Transportation Planning and Research. However, events relating to this project subsequent to July 1, 1985, have not been discussed in this report.

THE 40-PERCENT NONFEDERAL MATCH REQUIREMENT AND RELATED QUESTIONS

The Rail Safety and Service Improvement Act of 1982 authorized $30 million in Northeast Corridor Improvement Project funds for the Philadelphia-Atlantic City rail service project. Subsequently, the Department of Transportation and Related Agencies Appropriation Act, 1984, appropriated project funding but provided that before construction funds are made available, the Secretary of Transportation must certify that not less than 40 percent of the project's total development costs will be paid by nonfederal sources. Representative Coughlin requested that we determine whether plans for providing this nonfederal share are firm and adequate.

On December 28, 1983, New Jersey announced that it had reached tentative agreement with Resorts International to obtain funds for the 40-percent nonfederal match requirement. New Jersey was to sell land to Resorts International which, in turn, was to construct a casino/hotel and rail terminal on the land. The proceeds of the land sale would provide the $20 million nonfederal share for the estimated $50 million project. After negotiations continued for about 10 months without a final agreement being reached between the two parties, New Jersey curtailed its negotiations with Resorts International.

New Jersey's new funding approach, which is included in the state's 1985 operating and facilities plan, involves using state and local funds for the estimated $39.5 million nonfederal share of the project's costs. (Amtrak and the state estimated that the capital costs of the intercity Philadelphia-Atlantic City project have increased to $69.5 million as of March 7, 1985.) The state plans to build a convention hall with parking and hotel accommodations and a rail terminal on its land in Atlantic City. Costs for constructing the rail terminal, currently estimated at $14.5 million, and for other improvements such as track rehabilitation, currently estimated at $25 million, will be paid by the state and/or the Atlantic County Improvement Authority and are expected to constitute the nonfederal share. These plans, however, have not been made final. By letter dated January 25, 1985, the state of New Jersey confirmed an understanding with the Authority on terms for providing the nonfederal share for the project but a formal written agreement has not been executed.

The state has pledged the availability of all the nonfederal funds required for this project. As of July 1, 1985, however, the Secretary of Transportation had not received the formal written agreements between the state and the Authority and the state and Amtrak in order to certify that the nonfederal match requirement has been met. Thus your question regarding whether the nonfederal match is adequate cannot be answered at this time.

Under current legislation, $30 million in federal funds has been appropriated for this project. Even the availability of the $30 million is, however, now uncertain. The President has notified the Congress that expenditure of the appropriated $30 million for this project has been deferred and he has recommended that the funds be transferred by legislation to pay operating expenses of the Coast Guard and the Federal Aviation Administration.

Representative Coughlin also requested that we ascertain the federal, state, and local tax consequences to the private firm--Resorts International--that was to provide the funds used for the 40-percent nonfederal share and determine whether any such tax benefits should be counted as part of the federal share.

Congressional intent as expressed in the project's legislation and elsewhere does not indicate that tax benefits should be counted as part of the federal share, nor are we aware of any such general requirement for projects requiring cost sharing. Absent such a requirement, we believe that any tax benefits to the private firm that was to provide the funds used for the 40-percent nonfederal share, such as depreciation, should not be counted as part of the federal share. Considering this and the fact that Resorts is no longer included in the state's plan, we did not estimate the tax consequences of the proposed funding arrangement.

Representative Coughlin also asked whether the portions of the rail stations needed for rail service had been correctly identified and distinguished from the areas that were to be used as a casino/hotel and their costs properly accounted for in determining the nonfederal share of total project costs, as required by the authorizing legislation. Atlantic City was the only location where a casino/station complex was being considered. As previously mentioned, New Jersey has now proposed to build a convention hall and rail terminal in Atlantic City. Preliminary plans for the terminal both with and without the convention hall have been developed and included in the state's 1985 operating and facilities project plan submitted to the Department on March 14, 1985. As previously stated, the estimated cost of the terminal is $14.5 million. Again, however, since plans for constructing a rail station in Atlantic City have not been made final, this question cannot be answered.

THE ENVIRONMENTAL IMPACT STATEMENT

Representative Coughlin asked whether a full environmental impact statement is required before federal funds can be released and whether this requirement will be met.

FRA procedures require an environmental assessment unless specifically excluded. Because FRA's Office of Chief Counsel has determined that this project does not meet any of these exclusions, it is subject to the environmental assessment process before federal funds can be released. In this process, FRA first prepares an environmental assessment. According to the FRA attorney adviser assigned to this project, if the environmental assessment results in a finding of no significant impact, federal funds can be released. If, however, a decision is made to prepare an environmental impact statement, federal funds can only be released after the statement has been completed and evaluated.

FRA is currently preparing an environmental assessment. As of July 1, 1985, the environmental assessment had not been completed. Although New Jersey envisions the development of a convention hall and rail terminal, construction of the rail terminal will apparently not depend on construction of the convention hall complex. In addition, the cost of the convention center is not part of the rail improvement project. Therefore, FRA will consider only the rail terminal in its environmental assessment. According to the FRA environmental specialist assigned to this project, considering the rail terminal only should expedite the environmental assessment process.

The Chairman, House Subcommittee on Commerce, Transportation, and Tourism, asked whether the environmental impact statement should consider the overall environmental consequences of initiating the project as compared with the status quo. The Subcommittee Chairman asked further whether, in considering the environmental consequences on the status quo, the existing and projected level of congestion on the highway system, including the Atlantic City Expressway, should be considered.

FRA's procedures for considering environmental impact describe the range of factors to be addressed in its environmental assessment and, if necessary, in the environmental impact statement. These factors include evaluating the impact on traffic congestion and the environmental impact of initiating the project as compared with the status quo. Under FRA procedures, the environmental consequences of the existing and projected level of congestion on the highway system, both with and without the proposed rail line, are a relevant factor to be considered. According to FRA's Deputy Associate Administrator for Passenger and Freight Services, FRA is using these procedures in its assessment of the proposed Philadelphia-Atlantic City rail line.

AMTRAK'S REVENUE PROJECTION

The Department of Transportation and Related Agencies Appropriation Act, 1984, requires that revenues from the Philadelphia-Atlantic City rail service cover or exceed 80 percent of the short-term avoidable operating costs[1] the first year of operation and 100 percent each year thereafter. Representative Coughlin asked whether the Amtrak Board of Directors made a reasonable and objective determination of the project's estimated operating revenues, as required by law.

Amtrak's most recent estimate of total annual revenue for the proposed Philadelphia-Atlantic City rail service is approximately $18.6 million. Of this amount, rail transportation will generate $17.6 million, and food and beverage sales $1 million.

Amtrak's original estimated rail transportation revenue was based on estimated rail ridership of about 1.34 million annual passengers and one-way fares to Atlantic City of about $10 from Philadelphia and surrounding areas and $20 from New York City and surrounding areas via Philadelphia. (Rail transportation revenue includes trips from Philadelphia and all other northeast corridor locations to Atlantic City.) Amtrak also assumes that the Atlantic City casinos will provide subsidies to travelers of 50 percent of these fares, as they do for chartered buses. Such subsidies would reduce travelers' costs, but they would also increase Amtrak's total revenue because it is assumed that more travelers would use the train with the subsidy than would if it were not offered.

To estimate the annual number of passengers, Amtrak used its cross elasticity intercity modal split model. Amtrak uses this model to estimate ridership in the northeast corridor. The model has also been used for a number of intercity travel corridors throughout the country. It is also used by state and local governments and has been evaluated by transportation consulting firms as being a valid model for estimating travel demand for situations such as the Philadelphia-Atlantic City rail service. According to an analysis done for the Department of Transportation, the model estimates rail ridership within 10 percent of actual ridership.

The model estimates the share of ridership among alternate transportation modes. It uses 1982 ridership data to estimate a percentage of total ridership for each mode of travel--automobile,

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[1]Costs of activities that would be eliminated upon discontinuance of a route or train or, conversely, would be incurred upon the introduction of a new service.

chartered bus, scheduled bus, and rail. It considers the travelers' sensitivity to such characteristics as length of time for the trip in each mode, cost of trip, and frequency of service. The ridership percentage determined by the model, 1982 ridership data, and a medium market-growth forecast are then used to determine the number of annual rail passengers.

In determining ridership, Amtrak makes several assumptions that may or may not actually affect ridership. For example, Amtrak assumes that total travel would not increase as a result of new rail service. In our opinion, this is a reasonable assumption because the characteristics of rail service are similar to the characteristics (cost, time, frequency) of existing modes of travel. On the other hand, the possibility exists that total travel may increase and, therefore, rail ridership might exceed Amtrak's estimate if rail service is superior to the other modes of travel for some potential travelers.

The total travel data used in the model in estimating rail travel to Atlantic City were obtained for three modes of travel--automobile, chartered bus, and scheduled bus. The data were developed from surveys and tabulations of existing recreational travel generally sorted by travelers' origins and destinations.

The automobile data were developed by the state of New Jersey by surveying traffic during the spring and summer of 1982. Highway travelers were interviewed on four weekdays, 8 hours each day, at three key access roads entering Atlantic City. A seasonal adjustment was made to these data based on automobile traffic flow and patterns to Atlantic City. The data were also adjusted for the hours of each day and for day of the week. The survey indicated that in 1982, more than 15 million passengers made recreational automobile trips to Atlantic City from ten major market areas. Data were not compiled on smaller markets, so we could not determine how much rail travel might be affected.

The charter bus data were obtained from the casino operators who provided passenger counts from their charter bus operations. Based on the data obtained from these operators, the same ten major market areas that generated 15 million passengers by automobile generated 11 million passengers by chartered bus. Amtrak used current bus travel information to estimate that the same ten major market areas generated one million passengers by scheduled bus.

Our preliminary work on Amtrak's revenue projection indicates that Amtrak made a reasonable effort in estimating revenue. There is some uncertainty inherent in any projection but because of the following questions or issues regarding the data and methodology used to estimate ridership in this case, we cannot determine the revenue projection's reliability.

--Amtrak used automobile data provided by the state of New Jersey based on two surveys (spring and summer 1982) on three key access roads entering Atlantic City. The survey data were used to estimate the proportion of travelers coming from each of several different origins and the proportion of recreational travelers. These proportions were applied to annual traffic flow data to estimate the number of recreational travelers for each of several origins. Since the estimates of the proportions were based on only four days of observation, they are subject to substantial sampling error. Although we do not know the amount of sampling error, generally sampling error from a sample of four days out of 365 can be expected to be relatively large, particularly if there is substantial day-to-day variation in traffic. Seasonal adjustments as well as adjustments for the hours of each day and the day of the week were made to the data. Without additional work, we cannot tell whether these adjustments were done properly or whether Amtrak's revenue estimate is too high, too low, or about right. According to state and Amtrak officials, adequate data on automobile travel to Atlantic City were not available from other sources.

--In estimating ridership for the Atlantic City corridor, Amtrak uses the nonbusiness portion of its model to estimate what ridership would likely be for four modes of travel--automobile, chartered bus, scheduled bus, and rail. The total Atlantic City traffic data used in the model includes only the recreational segment of nonbusiness travelers. Recreational travelers may be less likely to need private automobile transportation after arriving in Atlantic City and, therefore, the model might overestimate the number of Atlantic City travelers using automobiles and underestimate the number using the rail service. Amtrak believes that some business travelers might also use the rail service; since the estimate does not include any business travelers, rail service passengers might also be understated for this reason.

--Amtrak assumed that a 50-percent fare subsidy to be provided by the Atlantic City casinos will be readily available to all travelers. To the extent that travelers do not receive the subsidy or find it difficult to obtain, rail ridership could be overstated. An Amtrak official told us that since the casinos provide subsidies to chartered bus passengers, they will probably provide subsidies to rail passengers. According to New Jersey's June 1983 operating plan, three casinos have expressed interest in providing rail subsidies. However, Amtrak does not have assurance from the casinos that all rail passengers will be provided subsidies, that the subsidies will be easily obtainable, or that the subsidies will be 50 percent.

Of these three shortcomings, the question about the automobile data is the most serious because there is no way to evaluate the data's accuracy. The data could be relatively accurate or erroneous by a wide margin in either direction. The question about the business/nonbusiness travelers is not likely to be serious because it would cause the estimate to be understated. The question about the fare subsidy can be resolved if the casinos agree to provide easily obtainable subsidies to all rail passengers.

The Chairman, House Subcommittee on Commerce, Transportation, and Tourism, asked whether we had given consideration to Amtrak's expertise as part of our evaluation of its revenue estimate. Although our work in this area was suspended before it was complete, our initial observations and discussions with Amtrak's Director, Market Planning and Forecasting, and our review of studies that he coauthored on market forecasting, indicate that he is qualified to make this type of market forecast. However, we did not evaluate Amtrak's overall expertise in this area.

The Subcommittee Chairman also asked whether other trains in Amtrak's system have to meet the same criteria required of the Philadelphia-Atlantic City rail service. According to Amtrak's Senior Director, Route and Service Planning, the Philadelphia-Atlantic City rail service is the only Amtrak rail service that has to cover or exceed 80 percent of its short-term avoidable operating costs (costs that are necessary to operate the new service) the first year of operation and 100 percent each year thereafter. However, an Amtrak goal for another of its rail services--its auto train between suburban Washington, D.C., and Florida--is to cover 100 percent of these costs.

AGENCY COMMENTS AND OUR EVALUATION

As requested by the Chairman, House Subcommittee on Commerce, Transportation, and Tourism, we obtained comments from Amtrak on the draft report. We also obtained comments from the state of New Jersey. The comments have been considered, further discussion has been held with Amtrak and New Jersey officials, and the report has been revised where appropriate. The comments are included as appendixes I and II.

Amtrak agrees that the revenue estimates and methodology are fairly described. New Jersey basically agrees that the report is an accurate chronicle of the development of the rail project. However, it did not agree with our conclusion in the draft report that the automobile travel data is statistically insufficient to accurately project annual traffic flow. Based on further discussion with Amtrak and New Jersey officials, we continue to believe, however, that in estimating automobile travel data, the sampling error from a sample of four days can be expected to be relatively large, particularly if there is substantial day-to-day variation in traffic. Both Amtrak and New Jersey provided additional information to update the report.

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As agreed with your offices, we do not plan to conduct further work on this subject at this time. Should you require our assistance on this project at a later date, we will be happy to meet with you or your offices to discuss how we can assist you. As arranged with your offices, after 14 days we will send copies of this report to the Secretary of Transportation; the Administrator, Federal Railroad Administration; the President, Amtrak; and the Commissioner, New Jersey Department of Transportation. At that time, copies will be made available to others upon request.

Sincerely yours,

J. Dexter Peach
Director

We appreciate the opportunity to review the report draft. Additional comments were discussed and provided to the General Accounting Office staff for correcting and clarifying several areas of the report.

Sincerely,

W. Graham Claytor, Jr.

W. Graham Claytor, Jr.
President

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National Railroad Passenger Corporation, 400 North Capitol St., NW, Washington, DC 20001 • (202) 383-3000

Amtrak

May 21, 1985

Mr. J. Dexter Peach
Director - Resources, Community
and Economic Development Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Peach:

Amtrak has reviewed the General Accounting Office draft report, "Proposed Amtrak Rail Service Between Philadelphia and Atlantic City," and agrees it fairly describes our revenue estimates and methodology.

The report tends to imply that much of the planning for the proposed service remains very tentative. We believe the report should be updated to reflect the Operating and Facilities Plan which included the Atlantic City rail terminal plan that was submitted to the Department of Transportation on March 14, 1985.

(GAO note: On the basis of these comments, information obtained in the operating and facilities plan on the Atlantic City terminal was added to p. 5 of the report. In addition, the report has been revised to reflect current revenue and cost estimates.)

While Amtrak's model was calibrated in the Northeast Corridor against both business and non-business travellers, only the non-business portion of the model was used to project ridership for Atlantic City. There were other aspects of our forecasts which tended to make them conservative. For example, while the ten top markets were examined, smaller markets, such as New England, would still be served and would add to overall ridership. We also did not include any business travel in the estimates, yet we are likely to receive a modest amount of that market as well.

(GAO note: On the basis of these comments, the second bullet on p. 9 of the report has been revised.)

should add that the NJ TRANSIT Board of Directors has authorized me to pledge the availability of all the non-Federal funding required for the intercity project, so that failure of the Atlantic County Improvement Authority (ACIA) to make luxury tax revenues available in a timely fashion for the new rail terminal does not impede the progress of the project.

Project cost estimates appearing in the draft report also require revision, to reflect changes since the January 1985 figures your staff relied on in preparing the draft report. The intercity project, exclusive of the Atlantic City rail terminal, now has an estimated cost of \$59.6 million, in contrast to the \$49.6 million estimate in January 1985 for these same improvements. To this must be added the cost of a new Atlantic City rail terminal; cost estimates for the terminal vary depending upon staging considerations, with estimates ranging from \$15 million to the \$21 million estimate appearing in your draft report. In any event, the terminal cost will be borne by ACIA, and NJ TRANSIT is prepared to provide first instance funding for the terminal if ACIA funding is not available on a timely basis.

In light of the previous discussion, we believe it is inaccurate to say "no firm plan exists".

(GAO note: On the basis of these comments, the report has been revised to reflect information in the operating and facilities plan submitted to the Department on March 14, 1985. In addition, the report has been revised to reflect current project cost estimates.)

Ridership and Revenue Forecasts

The draft report questions the reliability of the AMTRAK ridership and revenue forecasts, owing to the fact that these forecasts are predicated upon automobile travel data which is characterized as "statistically insufficient" for accurate projection of annual traffic flow. We dispute this. The data base maintained by the New Jersey Department of Transportation (NJDOT) on Atlantic City related automobile traffic flows and patterns is far more extensive than the draft report suggests, and while it is true that the AMTRAK forecasts relied on a one time, 1982 roadside interview survey for origin-destination patterns, the continuing traffic monitoring activities of the Department and the New Jersey Expressway Authority provide clear substantiation of the fact that the roadside interview survey data, coupled with daily counts used to make seasonable adjustments, is a statistically sufficient basis for annual traffic flow forecasting.

ROGER A. BODMAN
COMMISSIONER

STATE OF NEW JERSEY
DEPARTMENT OF TRANSPORTATION
1035 PARKWAY AVENUE
CN 600
TRENTON, N.J. 08625
609-292-3535

May 24, 1985

Dear Mr. Peach:

I am writing to respond to your office's draft report entitled Proposed AMTRAK Rail Service Between Philadelphia and Atlantic City, which I understand was commissioned by Congressman James J. Florio, Chairman of the House Subcommittee on Commerce, Transportation, and Tourism.

While the report is a largely accurate chronicle of the development of the rail project, there are several factual errors which I want to call to your attention. I also want to take exception to an opinion expressed by GAO staff about the reliability of the ridership/revenue forecast produced by AMTRAK.

Factual Errors

The report asserts that a firm plan does not exist (i.e. pages 2 and 5). To the contrary, AMTRAK and NJ TRANSIT have a mutually agreed upon operating and physical facilities plan, and a firm financing plan which presumes the continued availability of the Northeast Corridor Improvement Program (NECIP) funds. Documentation of all of the foregoing was transmitted to USDOT in mid-March, and a copy of the same is enclosed for your review.

The report also mistakenly suggests that luxury tax revenues are the sole source of the required local match funding (i.e., page 4). The luxury tax revenues are the funding source for the proposed new rail terminal only; the balance of the non-Federal funding required for the project (i.e., $29.6 million of the $44.6 million total non-Federal funding requirement) will be drawn from NJ TRANSIT State funding resources. I

This can be clearly seen from the enclosed traffic profile, which shows historical traffic patterns on Routes 30, 40, and the Atlantic City Expressway from 1982. As you can see, traffic is highest in the summertime, and seasonal variations have followed a recurring pattern. I should add that the practice of using a one time roadside interview survey and a continuing traffic counting program for factoring purposes is a universally accepted transportation planning practice.

(GAO note: On the basis of these comments and discussions with New Jersey state officials, the report has been revised to provide more detail on the automobile survey data. We continue to believe, however, that the sampling error from a sample of four days out of 365 can be expected to be relatively large, particularly if there is substantial day-to-day variation in traffic.)

Thank you for the opportunity to comment. Should you have further questions, please contact NJDOT's Director of Transportation Planning and Research, Mr. Alfred H. Harf, at (609) 292-7125.

Sincerely,

Roger A. Bodman
Commissioner of Transportation

Mr. J. Dexter Peach
Director
Resources, Community and Economic
Development Division
U.S. General Accounting Office
Washington, D.C. 20548

Enclosures

cc: Mr. Graham Claytor
Mr. John Riley

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