

Amendment 3475 – Requires Amtrak to report transparent cost and revenue data for each line of business on all 44 Amtrak routes

Transparency requirements in the bill now

Sec. 203 of this bill titled “The establishment of and Improved Financial System” states that may employ an independent financial consultant to improve Amtrak’s financial accounting and that they shall implement a modern financial accounting and reporting system.

Amtrak is not required to report financial data on each route and line of business for each route.

GAO finds financial management to be insufficient

A 2005 GAO report on Amtrak’s financial management found that Amtrak’s monthly performance reports lacked relevant information such as salaries, employee benefits, depreciation, and overhead for each train route and business line. GAO also found that the monthly performance reports require significant adjustment to correct errors.

The problem with Amtrak’s financial reporting can be summed up by looking at FY 06 financial reports that show \$336 million of losses attributed to individual routes, however Amtrak’s total losses for the year was \$1.127 billion. **This in Enron accounting** and is not providing the Amtrak board, Congress, or the American public with the kind of transparency that is necessary for being good stewards of taxpayer dollars.

By not including losses of almost \$800 million to individual routes, Amtrak is grossly misstating actual losses. Amtrak’s FY 06 financials show that the Sunset Limited (Orlando to LA) lost \$27 million, which comes out to \$524.49 of loss per passenger. If the nearly \$800 million of losses not attributed to a route are prorated equal among the 44 routes, the Sunset Limited’s losses per

passenger could be as high as \$90 million or \$1,600 per passenger.¹

What this amendment will do

This amendment keeps the requirement that Amtrak should implement a modern financial accounting and reporting system. More importantly it requires Amtrak to implement a new accounting system by providing Congress and the public with transparent financial information on each route and line of service.

Within 90 days of the completion of each fiscal year, Amtrak will post on their website a report that will show financial information on each of Amtrak's 44 routes and each line of business on those routes. These lines of business included train operations, equipment maintenance, food and beverage service, sleeping cars, ticketing, and reservations.

By having this transparent financial data for every area of Amtrak's operation, Amtrak will be able to make informed decisions on their service and Congress will be able to provide proper oversight for tax payer funded passenger rail.

This amendment will also help organizations like GAO, who for years have struggled with studying Amtrak because of Amtrak's poor financial reporting. For example, In 2005 GAO could only estimate that Amtrak lost \$245 million between 2002 and 2004 on food and beverage operations. GAO noted that they had to estimate this finding because of financial data that had a "lack of transparency that is typical of many aspects of Amtrak's operations."²

This amendment will not solve Amtrak's financial problems, but will show that Congress demands full and transparent accounting when it comes to the expenditure of taxpayer dollars.

¹ Heritage foundation Sept. 20, 2007 Amtrak report

² 2005 GAO report on Amtrak <http://www.wikio.com/article=11569326>

GAO defined the problem in their 2005 report by stating that Amtrak’s “selective reporting does not provide the complete transparency needed to provide management and key stakeholders with a complete and accurate picture of each department’s performance and the performance of Amtrak as a whole.”³

What Opponents of this Amendment will claim:

- **Claim:** Sec. 203 of the bill already requires a new financial accounting system for Amtrak in order to provide better transparency and cost controls.

Fact: The bill does require Amtrak to develop a new financial accounting system, but it does not require them to report transparent financial information on each route and lines of business for those routes.

- **Claim:** Sec. 208 (Metrics and Standards) requires Amtrak to develop new metrics for determining transparent performance data, including fully allocated operating costs covered by passenger revenues on each route.

Fact: This Amendment goes farther than requiring metrics and standards by requiring transparent reporting that shows gains or losses for each line of business on each route. Those lines of business include but are not limited to: train operations, equipment maintenance, food and beverage service, sleeping cars, ticketing, and reservations.

- **Claim:** Amtrak is already reporting on the revenues and expenses of each route in their monthly performance reports.

Fact: Amtrak does report financial data on each route in their monthly performance reports, however this data is incomplete. Amtrak attributed \$336 million losses to

³ Page 52, GAO Amtrak management, October 2005

individual routes in FY 06, however Amtrak's total losses for the year was \$1.127 billion. Over 70% of Amtrak's losses were not attributed to a particular route. Also, the monthly performance reports do not show activity for each line of business on each route.