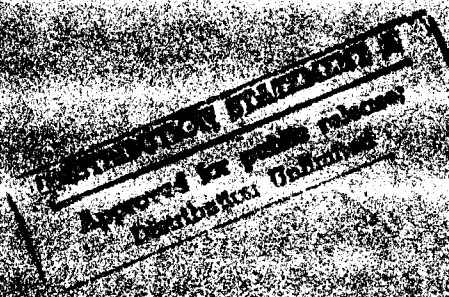
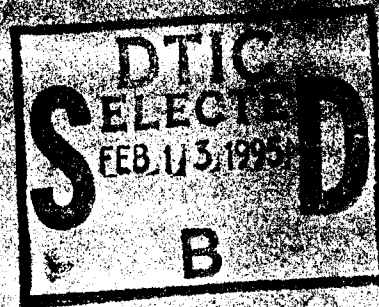




April 1995

AMTRAK

Information on Amtrak's Operating Expenses



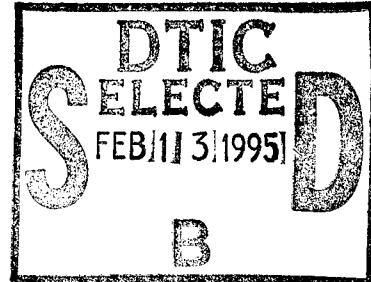
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Resources, Community, and
Economic Development Division

B-248328

April 23, 1992

The Honorable John Joseph Moakley
The Honorable Barbara Boxer
The Honorable Edward J. Markey
House of Representatives

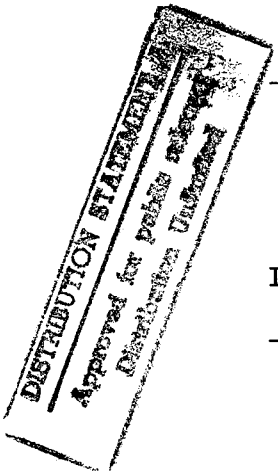


This fact sheet responds to your March 4, 1992, request for information on the operating expenses of the National Railroad Passenger Corporation (Amtrak). Concerned about how Amtrak spends its federally allocated funds, you asked us to review how Amtrak allocates these funds and to obtain information on Amtrak's provisions for future liabilities, travel and related expenses, and discretionary administrative costs. This fact sheet addresses the following questions:

- How does Amtrak allocate its federal funds for various spending requirements?
- What provisions does Amtrak make for future financial liabilities, particularly for the costs of future labor agreements?
- How much did Amtrak spend on travel and related expenses for its Board of Directors and executive staff offices in fiscal years 1988-92?
- How much did Amtrak spend for potentially discretionary administrative expenses, such as dues and memberships, travel and related expenses, professional fees and services, courses and seminars, and meetings in fiscal years 1988-92?

In summary, Amtrak

- pools its operating revenues with its federal operating subsidies and makes no distinction concerning the source of funds when allocating them to specific operating programs;
- accumulates funds in anticipation of future costs such as accident claims and future labor agreements;



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- spent \$1.5 million on travel during the 4-1/2-year period between October 1987 and February 1992 for its Board of Directors, executive officers, and their immediate staffs;¹ and
- spent \$96.4 million on dues and memberships, travel,² professional fees and services, courses and seminars, and meetings during this period.

This fact sheet discusses Amtrak's operating expenses but does not address the appropriateness of any of Amtrak's expenditures. Time did not permit extensive verification of the information Amtrak officials provided. A detailed discussion of our objectives, scope, and methodology appears in appendix I.

AMTRAK'S ALLOCATION OF FEDERAL FUNDS

Section 1 shows Amtrak's revenues and expenditures. According to Amtrak's Chief Financial Officer, the corporation pools its operating revenues with its federal operating subsidies and makes no distinction concerning the source of funds when allocating them to specific operating programs. Amtrak's Senior Director for Resource Management said that in addition to operating subsidies, the corporation also receives federal grants for capital and for improvements to the Northeast Corridor (the route between Washington, D.C., and Boston, Massachusetts). Amtrak is prohibited by law from using these funds for operations, he said.

In recent years Amtrak's requirement for federal operating subsidies has decreased. In fiscal year 1980, Amtrak covered 48 percent of its operating expenses through revenues and required a \$650.4 million federal operating

¹Executive officers and their immediate staffs include the staff shown in table 3.3.

²This figure includes the \$1.5 million for Board of Directors and executive staff office travel, which is about 4 percent of total Amtrak travel.

subsidy. In fiscal year 1991, Amtrak covered nearly 79 percent of its expenses with revenues and required a \$343.1 million federal operating subsidy.³

FUNDS SET ASIDE FOR FUTURE LIABILITIES

Section 2 describes the categories for which Amtrak sets aside funds for future liabilities. We identified four broad categories of liabilities on Amtrak's fiscal year 1991 consolidated balance sheet (see app. II) for which Amtrak set aside funds totaling \$292.8 million. The categories include the following:

- \$145 million for accrued expenses and other current liabilities. This category includes any item for which Amtrak accumulates funds in anticipation of future costs, such as the current liability for accident claims, remaining value of a pension plan, or funds for future labor agreements.
- \$77 million for casualty reserves. This amount includes the noncurrent liability for accident compensation.
- \$65 million from sales of tax benefits. Amtrak can sell the tax benefits of some of its assets. Because the proceeds of these transactions could be challenged by the Internal Revenue Service, the funds are being held as reserves.
- \$6 million for other liabilities and deferred credits. This category includes any miscellaneous funds that Amtrak temporarily holds, such as security deposits on property Amtrak owns and rents out.

³When computing its revenue/cost ratio, Amtrak excludes certain noncash expenses (e.g., depreciation) and other expenses, such as labor protection and certain taxes. Federal operating subsidies do not include federal grants for capital or Northeast Corridor improvements.

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EXPENDITURES FOR EXECUTIVE TRAVEL
AND RELATED COSTS

Section 3 discusses travel and related expenses for the Board of Directors and executive staff offices.⁴ Because Amtrak's records are not organized in a manner that facilitates rapid retrieval of travel expense data for specific individuals, we obtained total travel expense data for the nine-member Board of Directors and for each of the 16 executive staff offices.⁵ From October 1987 through February 1992, Amtrak charged a total of \$1.5 million in travel and related expenses to these offices, increasing from about \$189,000 in fiscal year 1988 to about \$387,000 in fiscal year 1991. A Board of Directors trip to Europe to review high-speed rail technology contributed to some of the increase in travel expenses. In other cases in which expenses increased for specific offices, Amtrak officials provided various reasons, such as a lawsuit in Florida and increased consultation with the California State Transportation Department.

The travel expenses for the Board of Directors and executive staff offices, discussed in section 3, include some costs incurred by other Amtrak organizations. Amtrak has at times consolidated into one account all travel expenses connected with one event, even though the travel may have been performed by staff from a variety of Amtrak units. This practice facilitates identifying total travel expenses for a specific purpose. Such was the case when air travel expenses for the Office of the Vice President for Passenger Services increased from about \$55,000 in fiscal year 1988 to over \$124,000 in fiscal year 1989. Part of the increase was the cost of returning onboard service personnel to their home bases when service was disrupted because of such problems as floods and mud slides.

⁴Amtrak's Controller told us that the corporation has no account entitled "entertainment." He told us that these expenses would be limited to items such as paying for dinner with a business associate and would be reimbursed as travel-related expenses.

⁵Until fiscal year 1991, Amtrak had 16 executive staff offices. During that year, the Office of the Vice President for Marketing was merged with the Office of the Vice President for Sales, leaving 15 executive staff offices.

EXPENDITURES IN SELECTED ACCOUNTS

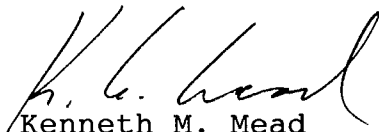
Section 4 discusses Amtrak's expenditures for six potentially discretionary administrative accounts. The accounts are (1) dues and memberships, (2) air travel Amtrak-wide, (3) other travel-related expenses Amtrak-wide,⁶ (4) professional fees and services, (5) courses and seminars, and (6) meetings. Amtrak spent \$96.4 million from these accounts between October 1987 and February 1992. Expenditures from each of these accounts increased over the 4 full fiscal years. Amtrak officials provided a number of reasons for the increases in these expenditures, including travel costs for assessing damages caused by Hurricane Hugo and the San Francisco earthquake, engineering and architectural design fees for upgrading facilities, and training programs.

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Officials of Amtrak's Finance and Administration and Government Affairs departments reviewed a draft of this fact sheet and generally agreed with its contents. These officials provided some suggestions for clarification, which we have incorporated where appropriate.

Unless you announce its contents earlier, we plan no further distribution of this fact sheet until 30 days after the date of this letter. At that time, we will send copies to the President of Amtrak and the Administrator, Federal Railroad Administration. We will make copies available to others on request.

Please contact me on (202) 275-1000 if you or your staffs have any questions. Major contributors to this fact sheet are listed in appendix III.



Kenneth M. Mead
Director, Transportation Issues

⁶This category, formally called "Travel-Other," includes any travel-related expense other than air fares, such as meals and lodging.

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SECTION 1

AMTRAK'S REVENUES AND EXPENSES, FISCAL YEARS 1988-91

Amtrak's operating revenues increased by 22.8 percent between fiscal years 1988 and 1991, while expenses increased by 18.4 percent during the same period. Table 1.1 shows Amtrak's revenues, expenses, and federal operating subsidies for fiscal years 1988 to 1991. Expenses are shown for the 12 broad categories into which Amtrak groups its expenditures. According to Amtrak's Chief Financial Officer, Amtrak places operating revenues and federal subsidies into a common pool of funds, which is then allocated to various operating programs. These broad groupings of expenses are composed of individual expenditures from hundreds of specific expense categories. For example, travel expenses related to train operations are allocated to that category, while travel expenses related to equipment maintenance are allocated to that category. Sections 3 and 4 describe travel expenditures in detail.

"General support" expenses include the salaries and related costs of information systems, police and security, revenue accounting and field payroll operations, support services, claims, and training. "General and administrative" expenses include salaries and expenses related to the Board of Directors, the President, and the Internal Affairs, Government and Public Affairs, Law, Finance and Administration, Corporate Planning and Development, Personnel, and Labor Relations functions. "Special charges" are unusual expenses that Amtrak elected to show separately. These include the costs associated with a 10-percent reduction in management staff, the closing of a power plant, and the termination of a contract for rail-car assembly.

Table 1.1: Amtrak's Revenue, Expenses, and Federal Subsidies, Fiscal Years 1988-91^a

Dollars in Thousands

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Revenues	\$1,106,727	\$1,269,070	\$1,308,425	\$1,358,950
Expenses				
Train operations	374,845	400,959	417,454	449,585
Maintenance and equipment	384,049	429,038	470,176	443,481
Maintenance of way	193,404	226,789	202,894	204,511
Onboard services	149,921	165,598	173,303	169,733
Stations	109,929	115,749	123,488	125,464
Marketing and reservations	149,670	172,879	176,708	184,457
General support	136,501	135,655	150,284	147,293
Taxes and insurance	61,564	76,497	60,805	63,368
Depreciation and amortization	153,731	165,802	181,619	202,643
General and administrative	41,173	42,061	45,526	49,531
Special charges				27,165
Interest	<u>2,296</u>	<u>3,507</u>	<u>9,583</u>	<u>13,307</u>
Total	<u>\$1,757,083</u>	<u>\$1,934,543</u>	<u>\$2,011,840</u>	<u>\$2,080,538</u>
Net loss	(650,356)	(665,473)	(703,415)	(721,588)
Federal operating subsidies ^b	532,300	\$ 553,800	\$ 520,100	\$ 343,100

^aAmtrak's fiscal year runs from October to September.

^bThe federal subsidy is substantially less than the net loss because certain noncash expenses (e.g., depreciation) and other expenses are not covered by federal subsidies.

Source: Amtrak's 1989 and 1991 annual reports.

SECTION 2

AMTRAK'S PROVISIONS FOR FUTURE LIABILITIES

Amtrak sets aside funds for various future liabilities, which are listed in Amtrak's balance sheet under four categories. This section discusses the contents of each of these categories as of September 30, 1991, as explained in Amtrak's 1991 Annual Report and by Amtrak's Controller. (See app. II for Amtrak's fiscal year 1991 consolidated balance sheet.)

Accrued Expenses and Other Current Liabilities: \$145,046,000

According to Amtrak's 1991 Annual Report, this category includes the current (within 1 year) claims liability portion of the estimated unsettled casualty and accident claims, and the remaining unamortized value of a pension plan. Amtrak's Controller added that this category would also include any other anticipated liabilities for future costs, such as funds set aside for accrued interest, accrued taxes, and earned but unpaid vacation pay. This category also includes funds set aside to cover the cost of future labor agreements, he said.

Casualty Reserves: \$77,137,000

This category is Amtrak's estimate of its noncurrent (beyond 1 year) liability for costs of existing cases filed against Amtrak for employee and passenger injuries.

Deferred Revenue--Sales of Tax Benefits: \$65,072,000

This category is the liability side of proceeds in escrow from sales of tax benefits shown on the asset side of the balance sheet. Under provisions of the Economic Recovery Tax Act of 1981, Amtrak sold the rights to the tax benefits associated with certain assets. The proceeds are listed on the liability side of the balance sheet as deferred income, which is gradually decreased as portions are converted to current income when tax benefits are realized by the purchasers. The remaining balance is considered a liability because these transactions could be challenged by the Internal Revenue Service, requiring that the proceeds be returned, according to Amtrak's Controller. He said, however, that the Internal Revenue Service has audited and supported several of these transactions.

Other Liabilities and Deferred
Credits--"Other": \$5,506,000

This section includes any miscellaneous funds that Amtrak temporarily holds, such as security deposits on property that Amtrak owns and rents out.

SECTION 3

AMTRAK'S TRAVEL EXPENDITURES FOR THE BOARD OF DIRECTORS AND EXECUTIVE STAFF OFFICES

Table 3.1 summarizes Amtrak's air travel expenditures for its Board of Directors and executive staff offices for fiscal years 1988 through 1992. Table 3.2 summarizes all travel expenses other than air fares. These expenses include meals, lodging, and taxis. Because Amtrak's records are not organized in a manner that facilitates rapid retrieval of travel expenditure data for specific individuals, the figures in the tables reflect total travel expenditures for the Board of Directors and for each of the executive staff offices. Additionally, some figures reflect travel by employees not assigned to the executive staff. For example, Amtrak officials explained that part of the \$124,222 in fiscal year 1989 air travel expenses charged to the Office of the Vice President for Passenger Services was the cost of returning onboard service personnel to their home bases because of service disruptions caused by problems such as floods and mud slides. Table 3.1 shows that air travel expenditures rose from about \$106,000 in 1988 to about \$198,000 in 1990 but then fell to about \$130,000 in 1991. Table 3.2 shows that other travel expenditures increased each year, beginning at about \$84,000 in 1988 and growing to about \$256,000 in 1991.

Amtrak's Procedures Manual contains the corporate policy for reimbursing travel expenses. It states that

- travel by rail is company policy--travel by air requires advance approval and is approved only on an exceptional basis;
- lodging expenses are limited to \$90.00 per night except in six specific cities, in which lodging limits are set at \$100.00 to \$130.00 per night;
- meal expenses are limited to \$40.00 per day;
- any expenses exceeding the specified limits must be approved by the cognizant department head; and
- department heads may host or approve hosting business meals and must provide full details on expense reports.

Table 3.1: Air Travel Expenditures for Amtrak's Board of Directors and Executive Staff Offices, Fiscal Years 1988-92

<u>Offices</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992^a</u>
Board of Directors ^b	\$ 202	\$ 4,434	\$ 10,407	\$ 43,664	\$(3,500) ^c
President	2,498	3,159	5,704	1,607	3,700
VP, Engineering ^b	2,514	6,839	16,015	14,886	10,400
VP, Real Estate and Operations	989	277	9,234	8,649	2,700
VP, Passenger Services ^b	55,078	124,222	60,731	4,625	2,100
VP, Passenger Marketing	2,676	2,612	2,898	4,647	0
VP, Sales	8,491	6,036	488	6,745	5,300
Assistant VP, Government and Public Affairs ^b	3,672	402	11,095	6,969	9,600
VP, Finance and Administration	491	1,394	1,029	496	200
Assistant VP, Labor Relations ^b	475	2,484	3,498	193	1,400
Assistant VP, Personnel ^b	4,962	7,275	10,026	3,103	1,800
Executive Vice President	455	2,159	8,612	6,889	300
VP, Information Systems	2,151	1,796	2,788	513	700
General Counsel ^b	14,329	17,135	36,473	14,027	14,900
Executive VP and Chief Operating Officer	698	2,479	7,623	6,028	2,800
VP, Transportation	3,874	10,377	10,533	5,921	5,100
VP, Corporate Planning and Development	<u>2,004</u>	<u>3,848</u>	<u>861</u>	<u>1,327</u>	<u>1,500</u>
Totals	<u>\$105,559</u>	<u>\$196,928</u>	<u>\$198,015</u>	<u>\$130,289</u>	<u>\$59,000</u>

^aThrough February 1992 (5 months).

^bExplanations of data for these offices are provided in the text that follows.

^cWhen closing its fiscal year 1991 books, Amtrak recorded an estimate of travel costs that occurred late in the fiscal year. Actual travel costs were less than anticipated. Amtrak used the negative figure for fiscal year 1992, indicated by parentheses, to adjust for the overestimate, according to the Senior Director of Resource Management.

Source: Amtrak accounting system.

Table 3.2: Other Travel and Related Expenditures for Amtrak's Board of Directors and Executive Staff Offices, Fiscal Years 1988-92^a

<u>Offices</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992^b</u>
Board of Directors ^c	\$ 486	\$ 319	\$ 976	\$15,393	\$(9,300) ^d
President	2,816	5,683	2,717	6,706	100
VP, Engineering ^c	198	2,183	107,116	96,834	38,900
VP, Real Estate and Operations	1,252	9,547	9,566	10,969	5,500
VP, Passenger Services ^c	4,913	2,172	6,197	14,931	900
VP, Passenger Marketing	1,761	2,612	3,365	2,267	0
VP, Sales	3,082	2,575	1,446	298	900
Assistant VP Government and Public Affairs ^c	10,055	10,111	17,192	27,136	14,900
VP, Finance and Administration	316	3,161	2,304	263	2,100
Assistant VP, Labor Relations ^c	4,443	4,576	653	9,774	800
Assistant VP, Personnel ^c	12,581	16,592	14,089	20,521	3,700
Executive Vice President	2,033	2,557	4,579	5,685	1,700
VP, Information Systems	4,481	5,043	9,293	6,592	3,100
General Counsel ^c	21,716	27,736	33,706	25,921	11,200
Executive VP and Chief Operating Officer	8,585	6,366	3,256	6,689	3,300
VP, Transportation	2,392	6,113	12,969	5,188	2,300
VP, Corporate Planning and Development	<u>2,489</u>	<u>1,771</u>	<u>1,175</u>	<u>1,231</u>	<u>600</u>
Total	<u>\$83,599</u>	<u>\$109,117</u>	<u>\$230,599</u>	<u>\$256,398</u>	<u>\$80,700</u>

^aIncludes all travel expenses except air travel, e.g. meals, lodging, taxis, etc.

^bThrough February 1992 (5 months).

^cExplanations of data for these offices are provided in the text that follows.

^dWhen closing its fiscal year 1991 books, Amtrak recorded an estimate of travel costs that occurred late in the fiscal year. Actual travel costs were less than anticipated. Amtrak used the negative figure for fiscal year 1992, indicated by parentheses, to adjust for the overestimate, according to the Senior Director for Resource Management.

Source: Amtrak accounting system.

Amtrak provided the following explanations for changes in certain travel expenditures from year to year.

Board of Directors

Between fiscal years 1990 and 1991, air travel expenses increased from \$10,407 to \$43,664 and other travel-related expenses increased from \$976 to \$15,393. The increases primarily resulted from the board's trip to Europe to review high-speed rail technology.

Vice President, Engineering

Between fiscal years 1989 and 1990, air travel expenses increased from \$6,839 to \$16,015 and other travel-related expenses increased from \$2,183 to \$107,116. This increase occurred in part because in fiscal year 1990, Amtrak started a 12-position "Management Associate" program within the Office of the Vice President, Engineering. The group traveled throughout the system to learn the operations of the Mechanical/Engineering Department. The program was reduced to six positions the following year.

Vice President, Passenger Services

Between fiscal years 1988 and 1989, air travel expenses increased from \$55,078 to \$124,222. Amtrak officials cited two causes. First, floods and mud slides in the Midwest and West caused a large number of train trips to be terminated en route. In these circumstances, Amtrak must fly the onboard service personnel back to their home bases. Second, Amtrak held a national staff meeting, which was attended by personnel from all regions of the country.

Between fiscal years 1990 and 1991, air travel expenses decreased from \$60,731 to \$4,625. The reduction was due to a change in accounting procedures. Before fiscal year 1991, all travel expenses for the Passenger Services Department were charged to the Vice President's office. As of fiscal year 1991, all department travel was charged to the various regional directors.

Assistant Vice President, Government and Public Affairs

Between fiscal years 1989 and 1990, other travel-related expenses increased from \$10,111 to \$17,192. In fiscal year 1991, expenses increased further to \$27,136. The travel increases were the result of liaison activity with the California Transportation Department, which is undertaking a number of initiatives either jointly with or affecting Amtrak, such as contracting with Amtrak to operate a commuter rail service.

Assistant Vice President, Labor Relations

Between fiscal years 1989 and 1990, other travel-related expenses decreased from \$4,576 to \$653. In fiscal year 1991, these expenses increased to \$9,774. The major reason for the low fiscal year 1990 expenses was that over \$3,600 in travel expenses, incurred late in fiscal year 1990, were not submitted on expense vouchers until fiscal year 1991. Had the expense vouchers been filed in fiscal year 1990, expenses in this category would have been about \$4,300 for fiscal year 1990 and about \$6,100 for fiscal year 1991. According to Amtrak's Senior Director for Resource Management, under accrual accounting principles, the fiscal year 1990 expenses should have been estimated and reflected on that year's records; however, the Accounting Department was apparently unaware of these particular expenses at the close of the fiscal year, since the vouchers had not been turned in at that time.

Assistant Vice President, Personnel

Between fiscal years 1990 and 1991, other travel-related expenses increased from \$14,089 to \$20,521. In fiscal year 1991 Amtrak hired a new corporate doctor who traveled extensively to become familiar with Amtrak's medical facilities. This travel cost about \$10,000 in fiscal year 1991.

General Counsel

Between fiscal years 1989 and 1990, air travel expenses increased from \$17,135 to \$36,473 and other travel-related expenses increased from \$27,736 to \$33,706. During that year, Amtrak's legal staff had increased travel requirements because of a criminal case involving toilet dumping in Florida.

CHANGES IN BOARD OF DIRECTOR AND EXECUTIVE OFFICE STAFFING LEVELS

Although total staff years for the Board of Directors and executive staff offices increased from 94.1 to 121.4 between fiscal years 1988 and 1991, most of the increase was in the offices of the Vice President for Engineering, Vice President for Finance and Administration, and Executive Vice President and Chief Operating Officer. Table 3.3 shows the staff years used in each of these offices for fiscal years 1988-92.

Table 3.3: Total Staff Years for Board of Directors and Executive Staff
Offices, Fiscal Years 1988-92

<u>Office</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992^a</u>
Board of Directors	1.7	2.0	2.0	2.0	2.0
President	10.2	10.6	10.1	10.0	10.1
VP, Engineering ^b	1.2	5.3	12.3	11.4	10.0
VP, Real Estate and Operations	2.0	2.0	2.0	2.0	2.0
VP, Passenger Services	1.1	1.0	2.9	2.5	1.0
VP, Passenger Marketing	1.0	1.0	1.0	1.0	0.0
VP, Sales	1.0	1.0	1.0	1.0	1.3
Assistant VP, Government and Public Affairs	11.6	11.5	11.9	12.8	12.9
VP Finance and Administration ^b	2.0	5.0	6.0	6.0	6.0
Assistant VP, Labor Relations	7.0	7.8	9.1	8.7	6.2
Assistant VP, Personnel	5.8	6.4	6.5	6.4	6.0
Executive Vice President	8.8	9.0	9.0	8.9	8.0
VP, Information Systems	3.9	3.7	5.9	5.1	6.0
General Counsel	27.7	29.6	30.1	30.6	26.7
Executive VP and Chief Operating Officer ^b	4.6	10.4	9.8	10.0	10.0
VP, Transportation	3.5	2.0	2.6	2.0	1.5
VP, Corporate Planning and Development	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Total	<u>94.1</u>	<u>109.3</u>	<u>123.2</u>	<u>121.4</u>	<u>110.7</u>

^aThrough February 1992 (5 months).

^bInformation on increases in staffing for these offices is provided in the text that follows.

Source: Amtrak accounting system.

Vice President, Engineering

The net increase of 7 staff years in this office in fiscal year 1990 resulted from the establishment of the Management Associates Program. Although this program was reduced from 12 to 6 positions in fiscal year 1991, other positions were added to this office, offsetting the reduction in management associates.

Vice President, Finance and Administration

The increase from 2 to 6 staff years resulted when staff were transferred from other offices. Although this change did not increase Amtrak's overall staffing, it did add four positions to the executive staff offices, because transferees came from offices other than those shown in table 3.3.

Executive Vice President and Chief Operating Officer

Staffing increased as several individuals were reassigned to this office from different offices, some of which had been within and some outside of the executive staff offices.

SECTION 4

AMTRAK'S EXPENDITURES IN SELECTED ACCOUNTS

We reviewed total expenditure data for six potentially discretionary expense accounts for fiscal years 1988 to 1992. The accounts are (1) dues and memberships, (2) air travel, (3) other travel-related expenses,¹ (4) professional fees and services, (5) courses and seminars, and (6) meetings. Expenditures from each of these accounts generally increased between fiscal years 1988 and 1991. Table 4.1 shows expenditures for fiscal years 1988-92.

Table 4.1: Amtrak's Expenditures in Selected Accounts, Fiscal Years 1988-92

<u>Account</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992^a</u>
Dues and memberships	\$ 752,391	\$ 791,387	\$ 1,008,573	\$ 1,087,913	\$ 512,648
Air travel	718,587	909,963	1,262,690	1,149,590	551,274
Other travel-related expenses ^b	7,713,450	9,109,863	10,451,069	10,163,068	3,883,937
Professional fees and services	3,176,156	6,664,220	9,778,071	15,139,100	4,091,660
Courses and seminars	535,959	679,767	1,144,983	1,294,743	346,698
Meetings	600,016	717,198	1,025,656	778,036	372,460

^aThrough February 1992 (5 months).

^bIncludes all travel expenses except air travel, e.g. meals, lodging, taxi, etc.

Source: Amtrak accounting system.

¹In addition to obtaining travel expense data for the Board of Directors and executive staff offices, we also obtained travel expense data for Amtrak as a whole. The air travel and other travel-related expenses shown in this section include those shown for the board and executive staff offices in sec. 3.

DUES AND MEMBERSHIPS

We obtained a list of authorized payments for membership fees. The following fees were among the highest and are those authorized for fiscal year 1992, except as noted.

Table 4.2: Dues and Memberships Authorized for Fiscal Year 1992

<u>Organization</u>	<u>Annual fee</u>
Association of American Railroads	\$796,003 ^a
National Railroad Labor Conference	274,835 ^a
Operation Lifesaver	45,000
Equal Employment Advisory Council	6,000
CompTel	2,800
Telocator	1,100
National Association of Railroad Trial Counsel	1,000

^aAmtrak's estimate for fiscal year 1992.

Association of American Railroads

Amtrak's Controller said the Association of American Railroads is the trade organization for the railroad industry. It provides members with a variety of services, such as maintaining an equipment testing facility, facilitating the exchange of information affecting the industry, and commenting on accounting procedures. Amtrak's Controller said that dues are based on a percentage of revenue, and Amtrak's percentage rate is half that charged freight railroads.

National Railroad Labor Conference

According to Amtrak's Controller, the National Railroad Labor Conference is an organization of railroads that provides vital information on labor negotiations to its members. For example, agreements are often reached in other railroads' negotiations that will affect Amtrak employees. In addition, when Amtrak labor relations representatives argue cases, they must cite precedents from other railway labor settlements. The Controller added that Amtrak's dues are only about half the rate charged for freight railroads.

Other Memberships

Amtrak's Controller said the other memberships are also well worth the investment because they protect Amtrak from potentially larger expenses. Operation Lifesaver is an organization that promotes safety. According to the Controller, one grade-crossing accident could cost Amtrak many times the annual fee. The Equal Employment Advisory Council and the National Association of Railroad Trial Counsel provide members with up-to-date information in their professional fields. The Controller said that membership in these organizations can help Amtrak avoid costly mistakes in employment practices or in litigation over injury claims from railroad accidents.

The Controller said that although Amtrak authorized payment of membership fees for Telocator, Amtrak never joined the organization and never paid the dues. Telocator deals with the cellular telephone technology in use on some of Amtrak's trains. CompTel is an association of telephone companies other than American Telephone and Telegraph. Membership allows Amtrak to participate in CompTel's trade shows, where it exhibits its ability to run fiber optic cables along its rights-of-way. The Controller added that running fiber optic cables along Amtrak's rights-of-way generates additional revenue, which helps reduce Amtrak's need for federal subsidies.

TRENDS IN OTHER EXPENSE ACCOUNTS

Amtrak's Senior Director for Resource Management provided the following comments concerning trends in other accounts.

Air Travel

Between fiscal years 1989 and 1990, air travel expenditures increased from \$909,963 to \$1,262,690. The increase resulted from two natural disasters--the San Francisco Earthquake and Hurricane Hugo. Both events required extensive travel to assess and repair damages.

In fiscal year 1991, air travel expenses remained at nearly the same level as in the preceding year. In fiscal year 1991, a 2-day strike of Amtrak employees outside the Northeast Corridor required that Amtrak fly train crews back to their home bases from the points where the trains stopped and then back to the trains when the strike was over.

Other Travel-Related Expenses

Between fiscal years 1989 and 1990, other travel-related expenditures increased from \$9,109,863 to \$10,451,069. Natural disasters as well as inflation contributed to the increase.

Professional Fees and Services

Between fiscal years 1988 and 1991, expenditures in this account increased from \$3,176,156 to \$15,139,100. Amtrak attributed the increase to:

- fees for engineering and architectural design for the Penn Central Control Building--a joint venture with the Long Island Railroad Company;
- fees for a contract for reservations services (discontinued for fiscal year 1992);
- legal fees associated with hazardous materials clean-up at the Paoli Yard in Pennsylvania and litigation with Lone Star, Inc.--a manufacturer of allegedly defective railroad ties;
- legal and professional fees for changing retirement fund investment plans;
- legal fees for condemning property and for obtaining public financing for Chicago's Union Station renovation project;
- legal consultation concerning a pending lawsuit by Penn Central Railroad; and
- a special audit of the Heavy Overhaul Facility at Beech Grove, Indiana.

Courses and Seminar Fees

Between fiscal years 1988 and 1991, expenditures from this account increased from \$535,959 to \$1,294,743. Amtrak officials stated that the increases were the result of

- training staff for a new computer system;
- instituting a training program for chefs;
- responding to federal regulations on employee physicals, drug testing, and certification training; and
- inflation.

Meetings

In fiscal years 1989 and 1991, expenditures were in the \$700,000 to \$800,000 range, while in 1990 Amtrak spent over \$1 million for meetings. Amtrak officials attributed the 1990 increase to

- charges for facilities used to train reservations agents on a new computer system;
- a national sales meeting held in Washington, D.C.;
- a regional sales meeting in San Antonio, Texas; and
- a regional meeting dealing with ethics, held in Philadelphia, Pennsylvania.

OBJECTIVES, SCOPE, AND METHODOLOGY

On March 4, 1992, Representatives John Joseph Moakley, Barbara Boxer, and Edward J. Markey requested that we provide a fact sheet discussing how Amtrak has spent its funds since fiscal year 1988. Specifically, we were asked to review how Amtrak allocates its federal funds and to obtain information on Amtrak's provisions for future liabilities, travel and related expenses, and discretionary administrative costs. This fact sheet addresses the following questions:

- How does Amtrak allocate its federal funds for various spending requirements?
- What provisions does Amtrak make for future financial liabilities, particularly for the costs of future labor agreements?
- How much did Amtrak spend on travel and related expenses for its Board of Directors and Executive Staff offices in fiscal years 1988-92?
- How much did Amtrak spend for potentially discretionary administrative expenses, such as dues and memberships, travel and related expenses, professional fees and services, courses and seminars, and meetings in fiscal years 1988-92?

The requestors asked that we provide this information in time for hearings scheduled for late April on Amtrak's fiscal year 1993 budget request.

To determine how Amtrak allocates federal funds and sets aside funds for future liabilities, we interviewed Amtrak's Assistant Vice President for Government and Public Affairs, the Chief Financial Officer, the Controller, and the Senior Director for Resource Management. To obtain information on the nature of Amtrak's spending, we reviewed source documents at Amtrak's offices in Philadelphia, Pennsylvania, and at Amtrak headquarters in Washington, D.C. We asked the Controller and Senior Director for Resource Management for additional information on increases or decreases in various expense accounts.

We reviewed financial statements and selected expense accounts but did not conduct an audit of the accounts. However, Amtrak's financial statements are audited annually by a public accounting firm that concluded that its statements fairly represent, in all material respects, the financial position of Amtrak. Although we relied on computer-generated data provided by Amtrak, time

constraints prevented us from performing a reliability assessment on the computer systems.

We conducted our work in March and April 1992.

AMTRAK'S CONSOLIDATED BALANCE SHEET
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1991

Dollars in Thousands

Assets

Current assets	
Cash and cash equivalents	\$ 30,937
Short-term cash investments, at cost, which approximates market	3,164
Accounts receivable, net of allowance for doubtful accounts of \$1,961	76,033
Materials and supplies, at average cost	148,651
Other current assets	<u>11,075</u>
Total current assets	269,860
Property and equipment	
Passenger cars and locomotives	1,824,259
Northeast Corridor ^a	3,099,027
Other	<u>412,163</u>
Total property and equipment	5,335,449
Less accumulated depreciation and amortization	<u>(1,701,102)</u>
	<u>3,634,347</u>
Other assets and deferred charges	
Proceeds in escrow from sale of tax benefits	65,072
Penn Station joint venture	26,384
Deferred charges and other	<u>81,574</u>
Total other assets and deferred charges	173,030
Total Assets	<u>\$4,077,237</u>

APPENDIX II

APPENDIX II

Liabilities and capitalization

Current liabilities	
Accounts payable	\$ 138,101
Accrued expenses and other current liabilities ^b	145,046
Deferred ticket revenue	12,755
Current debt and capital lease obligations	<u>9,632</u>
Total current liabilities	305,534
Long-term debt and capital lease obligations	
Capital lease obligations	170,848
Equipment and other debt	<u>107,487</u>
Total long-term debt and capital lease obligations	278,335
Other liabilities and deferred credits	
Casualty reserves ^b	77,137
Deferred revenue--sales of tax benefits ^b	65,072
Deferred revenue--Penn Station joint venture	28,077
Advances from railroads and commuter agencies	44,008
Other ^b	<u>5,506</u>
Total other liabilities and deferred credits	219,800
Total liabilities	<u>803,669</u>
Capitalization	<u>3,273,568</u>
Total liabilities and capitalization	<u>\$4,077,237</u>

^aAmtrak owns the track and right-of-way between Washington, D.C., and Boston--the Northeast Corridor.

^bBecause this category describes funds set aside for future liabilities, its purpose and function are described in section 2.

Source: Amtrak's fiscal year 1991 Annual Report.

MAJOR CONTRIBUTORS TO THIS FACT SHEET

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