

★ ★ ★ **AMTRAK REFORM COUNCIL** ★ ★ ★

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**July 16, 2001**

***For Immediate Release***

**AMTRAK REFORM COUNCIL,  
CONCERNED ABOUT THE STATE OF AMTRAK'S FINANCES,  
RECOMMENDS ACTIONS FOR IMPROVEMENT**

In a letter dated July 12<sup>th</sup> to Amtrak Vice Chairman Michael Dukakis, the Amtrak Reform Council has recommended specific actions Amtrak should take to improve its financial position. The recommendations were made pursuant to both the Council's annual report, issued in March 2001, and to the Council's review of Amtrak's financial results for the first half of this fiscal year. The letter also recommended that Amtrak revisit earlier Council recommendations, most of which Amtrak has not implemented.

Amtrak's loss for purposes of operational self-sufficiency was \$214 million for the first six months of the current fiscal year, which ends September 30, 2002, compared to \$176 million for the same period last year. In order to meet the financial goals of its Strategic Business Plan for FY2001, Amtrak would need to achieve \$250 million in net improvements during the last half of the year and, for purposes of operating self-sufficiency, post a profit of \$36 million during that period. It is unlikely Amtrak can achieve these levels of improvement. It also appears that Amtrak is meeting its Budget Result by deferring planned maintenance and capital expenditures, and that shortfalls in operating cash are being covered by selling and leasing back assets, or mortgaging them, including the recent \$300 million financing collateralized by New York's Penn Station.

In light of Amtrak's serious operational and financial shortcomings, the Amtrak Reform Council specifically recommended that Amtrak adopt the business model proposed by the Council in its 2001 annual report. Specifically, the Council recommended that Amtrak:

- Change its organization to implement a separation of infrastructure responsibility from train operating responsibility, including separate financial statements;
- Reframe its funding request to Congress to reflect its infrastructure needs separately from the needs of its train operations. The Council believes this will also help make the case for adequate sources of funding for these two vital and distinct requirements;
- That Amtrak take the following near term actions:
  - Reduce corporate overhead substantially;
  - Acquire a modern reservations and ticketing system that tracks seat inventories on a real-time basis;
  - Undertake marketing initiatives designed to increase load factors and revenue;
  - Acquire modern accounting and management information systems.

The Amtrak Reform Council is an independent Federal oversight commission established under the provisions of the Amtrak Reform and Accountability Act of 1997 (P.L. 105-134) to recommend improvements in Amtrak's operations and to monitor its financial performance.

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## AMTRAK'S FY2001 SIX-MONTH FINANCIAL STATEMENTS

### Amtrak Performance for Purposes of Operating Self-Sufficiency\*

	Six Months ended March 31			Full Year FY2000 (\$ millions)
	FY2001 Actual (\$ millions)	FY2001 Plan (\$ millions)	FY2000 Actual (\$ millions)	
<b>Revenues</b>				
Passenger/Mail and Express/Other Transportation	\$ 685	\$ 708	\$ 624	\$ 1,364
Non-Trans., 403b State Support, Commuter, Other	\$ 346	\$ 326	\$ 304	\$ 634
<b>Total Revenues</b>	<b>\$ 1,031</b>	<b>\$ 1,033</b>	<b>\$ 928</b>	<b>\$ 1,998</b>
<b>Expenses</b>				
Wages and Benefits	\$ 811	\$ 819	\$ 766	\$ 1,563
Train Operations	\$ 230	\$ 232	\$ 230	\$ 459
Maintenance of Way	\$ 27	\$ 37	\$ 35	\$ 79
Other	\$ 478	\$ 462	\$ 371	\$ 774
<b>Total Expenses</b>	<b>1,546</b>	<b>1,550</b>	<b>1,402</b>	<b>\$ 2,875</b>
Operating Income (Loss)	(515)	(517)	(474)	(877)
Interest income and expense, net excluding TRA interest income	(34)	(39)	(32)	(66)
Loss before adjustments	(549)	(556)	(506)	(943)
<b>Adjustments to Income for Test of Self-Sufficiency</b>				
Depreciation/non-cash expenses	\$ 228	\$ 229	\$ 185	\$ 381
Capital contribution to operating	\$ 19	\$ 25	\$ 55	\$ 90
Operating contribution to capital	(3)	(3)	0	-
Est. Excess Mandatory Railroad Retirement	\$ 91	\$ 91	\$ 90	\$ 180
<b>Total adjustments</b>	<b>\$ 335</b>	<b>\$ 342</b>	<b>\$ 330</b>	<b>\$ 651</b>
<b>Operating Loss for Purposes of Self-Sufficiency</b>	<b>(214)</b>	<b>(214)</b>	<b>(176)</b>	<b>(292)</b>

\* Source: Amtrak financial reports. On May 21st, Amtrak officials reviewed and confirmed the accuracy of the calculations for self-sufficiency.

### Amtrak's FY2001 Business Plan for the 1st Half and 2nd Half of the Year\*

	Full year FY2001 Plan (\$ millions)	1st 6 months Plan (\$ millions)	2nd Half Plan (\$ millions)
Revenues	\$ 2,330	\$ 1,033	\$ 1,297
Expenses	\$ 3,121	\$ 1,550	\$ 1,571
Interest income and expense, net excluding TRA interest income	\$ 103	\$ 39	\$ 64
	(894)	(556)	(338)
Capital Contribution to Operating	\$ 50	\$ 25	\$ 25
Operating Contribution to capital	\$ (5)	\$ (3)	\$ (2)
Depreciation/Non-Cash	\$ 488	\$ 229	\$ 259
<b>Net Operating Profit/Loss</b>	<b>(361)</b>	<b>(305)</b>	<b>(56)</b>
Excess Mandatory RRTA	\$ 183	\$ 91	\$ 92
<b>Test for Self-Sufficiency</b>	<b>(178)</b>	<b>(214)</b>	<b>36</b>

Net improvement implicit in Amtrak's plan between the first and second half of FY2001	<b>\$ 250</b>
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\* Source: Amtrak financial reports. On May 21st, Amtrak officials reviewed and confirmed the accuracy of the calculations for self-sufficiency.

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