New Report: Amtrak has more work to do to improve relationships, trust among state partners

For Immediate Release
February 2, 2022

WASHINGTON – Amtrak has addressed some of the longstanding concerns associated with cost sharing on its state-supported routes, but three challenges persist around improving relationships and trust with its state partners, clarifying how costs are assigned, and assuring state partners that their bills are accurate, an Amtrak Office of Inspector General report released today found.

According to the report, state partners' perceptions about these challenges affect their trust in Amtrak, with about one-third telling the OIG they have low trust around cost-sharing issues. This has become a self-perpetuating problem, with low-trust partners interpreting Amtrak's actions through that lens and taking actions to protect their interests. The resulting tensions have consumed significant time and effort and may hinder progress on issues beyond cost-sharing, like improving and expanding service, the report said.

The first challenge identified in the report was that there are conflicting perspectives among Amtrak and some state partners about control over decision-making and the level of support Amtrak provides to its state partners. These differing perspectives represent foundational disagreements about the structure and nature of their business relationships, the report said.

While state partners can exercise some control over their routes, such as setting train schedules and determining onboard amenities, 18 of 20 state partners told the OIG that they wanted more control over decisions such as fare policies, marketing promotions, payment methods, station staffing, and the equipment and technologies used on their routes. Company officials said state partners could have greater control over certain decisions, such as stations' staffing levels, but told the OIG that certain operational, legal, and practical limitations prevent them from giving state partners authority over other decisions.

Similarly, some state partners want more support than Amtrak officials believe is reasonable. For example, common requests include inquiries about costs, requests for customized reports, and education on the cost-sharing methodology. While company officials said that they generally accommodate these requests, providing such support can consume significant time and resources. From the perspective of some state partners, however, these types of requests are a necessary and reasonable part of the service they expect the company to provide.

The second challenge the OIG identified was that issues remain with the cost-sharing methodology despite the company's efforts to improve its ability to directly assign costs to state partners' trains. Specifically, most state partners believe their costs do not strongly correlate to the level of train service they operate. These concerns increased during the pandemic as some state partners reduced their service but did not see corresponding decreases in their bills, the report said.

In addition, there is no resolution on how state partners and Amtrak should share capital costs related to infrastructure that supports state routes, such as stations, maintenance facilities, and other fixed assets. As a result, in fiscal years 2018-2020, state partners contributed about $175 million in capital payments and the company covered the remaining $515 million in capital costs with other sources such as federal grants. There are no plans among these stakeholders, however, to address capital cost sharing in the near term, the report said.

The third challenge identified by the OIG was that Amtrak's state partners question whether it has effective quality controls in its cost-calculation and bill-development process, and some state partners do not understand the company's process. Amtrak's early history of making more frequent billing errors amplified the skepticism among its state partners, the report said

According to the report, Amtrak has generally automated its process for calculating the costs it bills to state partners and implemented several quality checks to detect errors that could cause inaccurate bills. The OIG identified additional opportunities for Amtrak to improve confidence among state partners in its bill-development process, including documenting and informing stakeholders about the process and changes to the supporting systems and seeking independent review and validation of Amtrak's complex systems for tracking and allocating costs to the states.

Nearly half of Amtrak's pre-pandemic ridership and about a quarter of its total revenue came from state-supported routes. Recently, the Infrastructure Investment and Jobs Act directed that the cost-sharing methodology be revised by March 21, 2022, and Amtrak told the OIG that they are using these negotiations be begin working on the challenges it identified.

To capitalize on the ongoing cost sharing review, the OIG recommended that Amtrak coordinate with state partners and the FRA to clarify which decisions affecting states' costs the company must control and the level of support the company can provide. It also recommended Amtrak clarify and document decisions about the relationship between costs and service and how to handle capital costs. Finally, the OIG recommended that Amtrak take steps to better assure state partners that their bills are accurate, such as documenting the cost-calculation and bill-development process and sharing this information with them.

More information is included in the full report which can be downloaded on the OIG's website: https://direc.to/h17j.

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