



Highlights of [GAO-05-761T](#), a report to Subcommittee on Railroads, Committee on Transportation and Infrastructure, House of Representatives

Why GAO Did This Study

Amtrak has provided food and beverage service on its trains since it began operations in 1971. Amtrak has struggled since its inception to earn sufficient revenues and depends heavily on federal subsidies to remain solvent. While a small part of Amtrak's overall expenditures, Amtrak's food and beverage service illustrates concerns in Amtrak's overall cost containment, management and accountability issues.

This testimony is based on GAO's work on Amtrak's management and performance as well as additional information gained from Amtrak and other transportation providers. This testimony focuses on (1) the provisions written into Amtrak's contract with Gate Gourmet to control costs, (2) the types of management controls Amtrak exercises to prevent overpayments, and (3) the information Amtrak collects and uses to monitor the service and to report to stakeholders such as its Board of Directors.

What GAO Recommends

Since we did not have sufficient time to obtain Amtrak's comments, as required by government auditing standards, prior to this hearing, GAO anticipates making recommendations to Amtrak to improve its food and beverage service at a later time.

www.gao.gov/cgi-bin/getrpt?GAO-05-761T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact JayEtta Z. Hecker, 202-512-8984.

AMTRAK

Management and Accountability Issues Contribute to Unprofitability of Food and Beverage Service

What GAO Found

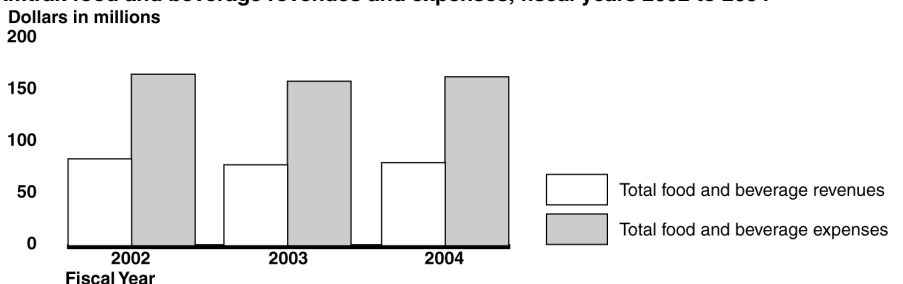
Amtrak's financial records show that for every dollar Amtrak earns in food and beverage revenue, it spends about \$2—a pattern that has held consistent for all 3 years GAO reviewed. In GAO's estimation, Amtrak has lost a total of almost \$245 million from fiscal year 2002 through fiscal year 2004 on food and beverage service. Since 1999, Amtrak has contracted out the responsibility to Gate Gourmet International (Gate Gourmet) for managing commissaries and for ordering and stocking all food and beverages and related items managing under a contract that expires in September 2006.

Amtrak's current cost reimbursable contract with Gate Gourmet creates, if anything, an incentive to increase Amtrak's costs unless properly monitored. Gate Gourmet can charge Amtrak for the cost of the food and beverage items, as well as management, labor, and other expenses. Without defined controls and management, this type of contract structure provides little incentive for a contractor to reduce or contain costs to provide better value to its customer.

GAO found five different management controls that Amtrak did not fully exercise regarding oversight of its food and beverage service. These controls include: (1) requiring an independently audited financial report, (2) auditing for all applicable rebates and discounts that Gate Gourmet could have applied to food and beverage items purchased for Amtrak, (3) adequately monitoring purchase price information for its food and beverage items, (4) not considering Amtrak's food and beverage labor costs, as a part of product markups, and that (5) not utilizing Amtrak's procurement department in negotiating the current contract.

Information that could provide both internal and external accountability for the food and beverage function is limited. Amtrak does not include any information about its food and beverage expenses in any of its internal or external reports, including its monthly performance reports, its internal quarterly progress reports or its annual consolidated financial statements. This lack of information makes it difficult for internal and external stakeholders to gauge the profit or loss of the operation as well as to assign accountability.

Amtrak food and beverage revenues and expenses, fiscal years 2002 to 2004



Source: GAO analysis of Amtrak data.