



U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

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November 26, 2012

SUMMARY OF SUBJECT MATTER

TO: Members of the Committee on Transportation and Infrastructure
FROM: Staff on the Subcommittee on Railroads, Pipelines, and Hazardous Materials
SUBJECT: Hearing on “Getting Back on Track: A Review of Amtrak’s Structural Reorganization”

PURPOSE

On Wednesday, November 28, 2012, at 10:00 a.m. in room 2167 of the Rayburn House Office Building, the Committee on Transportation and Infrastructure will receive testimony regarding the ongoing reorganization of the National Railroad Passenger Corporation (Amtrak). The Committee will hear testimony on what prompted the reorganization and what goals are to be achieved.

BACKGROUND

The Rail Passenger Service Act of 1970 (P.L. 91-518) created Amtrak over 40 years ago, charging it with the responsibility for providing intercity passenger rail transportation on a basic route system designated by the Department of Transportation. Congress designed Amtrak to be operated and managed as a for-profit corporation; however, it is provided federal appropriations to support its continued services. In fiscal year 2012, Amtrak received \$1.418 billion in federal grants, including \$466 million to support operations and \$952 million for capital and debt service. Throughout its 41-year history, Amtrak has been the subject of many proposals for reform and revitalization of its structure and mission. It is currently undergoing a structural reorganization based largely upon its Strategic Plan FY2011-FY2015 (Strategic Plan). The Strategic Plan finds its roots in a 2005 Government Accountability Office (GAO) report and in a 2010 report on Amtrak’s Strategic Planning by the Amtrak Inspector General.

2005 Government Accountability Office Report

In October 2005, the GAO issued a report to the then-Chairman of the Transportation and Infrastructure Committee Don Young entitled “Amtrak Management: Systemic Problems Require Actions to Improve Efficiency, Effectiveness, and Accountability” (2005 GAO Report). The report was a comprehensive review of Amtrak’s management intended to identify how Amtrak could better measure and monitor performance, develop and maintain financial controls, control costs, acquire goods and services, and be held accountable for the results. The report noted several key themes that emerged from reviewing those issue areas, including the need for “a strategic plan that includes measurable corporate-wide goals, strategies, and outcomes to guide the entire organization.” (2005 GAO Report, p.5).

Specifically, GAO found that the lack of a strategic plan left Amtrak with no comprehensive mission statement; limited corporate-wide goals; no connection between annual goals and a corporate-wide mission or goals; and management tools focused on the short-term, not the long-term. The report noted that many leading organizations establish “clear hierarchies for performance goals and measures for each organizational level linking them to overall corporate goals.” (2005 GAO Report, p.7). Strategic plans provide a foundation for instituting management initiatives, including organizational realignment; performance planning, measurement, and reporting; accountability for results; and improvements to the capacity of the organization to achieve its goals. GAO found that, though Amtrak had some departmental goals, without a corporate mission, Amtrak could not ensure that its departmental goals supported its overall corporate performance.

2010 Amtrak Office of Inspector General Report

In August 2010, the Amtrak Inspector General’s Office (IG) released an evaluation report on Amtrak’s Strategic Planning which looked at the attempts by Amtrak to develop a strategic plan and compared those planning documents to best practices in strategic planning. The IG explained that there was no one right way to conduct strategic planning, but identified common elements that included “an executive commitment, assessment of the internal and external environment, and defining a vision, goals and strategies to accomplish the organization’s mission.” (IG Report, p. 2). Specifically, the IG report set forth key elements for an effective strategic planning process:

- Mission – clarifies type of business, customers served, purpose of existence, geographic scope of activities;
- Vision – where the organization wants to be and results sought;
- Goals – establish clear, outcome-oriented, time-bound and measurable goals;
- Strategies – identifies what must be done to achieve goals;
- Metrics – indicates results and communicates if strategies have delivered intended outcomes;
- Programs and Activities – products and services aligned with the strategies to support the goals;
- Leadership and Ownership – requires senior executive leadership, focus, and commitment to planning;

- Assessment of Environment – knowing where you are, so you can identify what needs to change to get where you want to be;
- Values – beliefs central to the organization’s existence;
- Communication – ensures execution, establishes accountability, and instills the values;
- Resource & Organizational Alignment – organization and its resources must be allocated based on the prioritized goals.

According to Amtrak officials, the elements identified in the IG report informed Amtrak’s Strategic Plan FY2011-FY2015, which in turn is the basis for Amtrak’s structural reorganization.

Amtrak Strategic Plan FY2011-FY2015 and Corporate Reorganization

Amtrak’s strategic planning process came to fruition in November 2011 when it released its Strategic Plan FY2011-FY2015. The reorganization process is ongoing and subject to change as it develops; however, Amtrak expects that the process will be fully implemented by the end of FY 2013. Amtrak officers have told Committee staff that, even as the reorganization is being put into place, the company is beginning to see performance and accountability improvements. The Strategic Plan establishes a corporate-wide vision with five corporate goals to drive performance across the entire company. Those goals are: (1) safety and security; (2) customer focus; (3) mobility and connectivity; (4) environment and energy; and (5) financial and organizational excellence.

Having established the overarching corporate vision and goals the Strategic Plan sets forth seven corporate strategies to carry out those goals and inform the reorganization process. The corporate strategies are:

1. Continue the Safe-2-Safer program and expand its scope;
2. Integrate operational functions to maximize collaboration, efficiency, and improve service delivery;
3. Implement best practices related to human capital management to achieve the company’s goals;
4. Expand the risk-management principles to implement a security program to deter terrorism and crime;
5. Expedite programs to make Amtrak accessible for all individuals;
6. Use systems and technologies to reduce energy usage and operating expenses; and
7. Establish a business line focus to better respond to the wants, needs, and expectations of customer segments and improve financial performance.

Amtrak's reorganization is structured around the establishment of six business lines:

1. Northeast Corridor Infrastructure and Investment Development,
2. Northeast Corridor Operations,
3. State Supported Services,
4. Commuter Services,
5. Long-Distance Services, and
6. Corporate Asset Development.

The business line focus will essentially break the company down into smaller pieces with each business line being held accountable for price and loss (P&L). Furthermore, each business line will establish its own strategic plan to meet the corporate goals. Doing so is intended to create more transparency for the management process and allows for more efficient decision making. In turn, placing one individual in charge of delivering the service should serve the corporate goals of maintaining a customer focus and establishing financial and organizational excellence.

Amtrak has begun to formulate an organizational chart, hire staff, and assign responsibilities. Under the President, there will be a General Counsel, four Vice Presidents and five Chiefs. The Vice Presidents will include a VP of Government Affairs; VP of Marketing and Sales; VP of Northeast Corridor Infrastructure and Investment Development (with responsibility for that business line); and VP of Operations, which will have oversight of the Commuter Services, Northeast Corridor Operations, State Supported Services, and Long Distances Services business lines (see Appendix). The five Chiefs will include a Chief Financial Officer (with responsibility for the Commercial Development business line); a Chief Information Officer; a Chief Human Capital Officer; Chief of Emergency Management & Corporate Security; and Chief of Police. Each of these individual vice presidents and chiefs will be held accountable for achieving the corporate goals as those goals apply to their respective responsibilities. The reorganization is expected to be fully implemented by 2014.

Recommendations and Improvements from the Inspector General

While the reorganization of Amtrak's corporate structure has been an ongoing effort under the current President, the Amtrak IG over the last several years has identified ways to improve the economy, efficiency, and effectiveness of Amtrak's operations and programs. Many of the IG's recommendations on such things as corporate governance, human capital management, information technology management, and train operations have complemented and informed the development of Amtrak's Strategic Plan and the reorganization itself.

Ultimately, the recommendations of the IG are intended to help Amtrak achieve its corporate-wide goal of financial and organizational excellence. The Committee will hear from the IG and Amtrak on how those recommendations are being implemented and the extent to which they are being addressed in the structural reorganization.

WITNESSES

Mr. Joseph Boardman

President
Amtrak

Mr. Ted Alves

Inspector General
Amtrak Office of Inspector General

Mr. James Stem

National Legislative Director
United Transportation Union - SMART

Appendix

Chart 1 – Amtrak’s Draft Organizational Structure

Chart 2 – Amtrak’s Draft Organizational Structure under the Vice President of Operations



