

**TESTIMONY**

**OF**

**JOSEPH H. BOARDMAN**

**PRESIDENT AND CHIEF EXECUTIVE OFFICER**

**AMTRAK**

**60 MASSACHUSETTS AVENUE, NE**

**WASHINGTON, DC 20002**

**(202) 906-3960**

**BEFORE THE**

**HOUSE TRANSPORTATION & INFRASTRUCTURE**

**COMMITTEE**

**OVERSIGHT HEARING ON**

**“A REVIEW OF AMTRAK OPERATIONS, PART I:  
MISMANAGEMENT OF FOOD & BEVERAGE SERVICES”**

**THURSDAY, AUGUST 2, 2012**

**10:00 A.M.**

**2167 RAYBURN HOUSE OFFICE BUILDING**

Chairman Mica, Ranking Member Rahall, and members of the Committee, good morning. I appreciate the opportunity to come before you this morning to discuss our company's performance. Amtrak has been working hard to improve service, to realize our inherent opportunities for growth, and to manage our company like a business. Our Key Performance Indicators show improvement. Amtrak's ridership has grown by 44% since 2000, reaching an all-time record of 30.2 million in FY2011. We've set ridership records in 8 of the last 9 years. We are also on track to complete the year with one of the lowest levels of operating subsidy Amtrak has ever required, including food and beverage service, in our forty-one years of service.

Why have these changes occurred? In large part, the management of Amtrak has made it our mission to change the way we think and the way we act, and to begin the process of changing Amtrak to run the company as a business. Healthy companies look continuously for opportunities to improve the service they deliver. At Amtrak, our strategic plan sets out a roadmap for improvement. Our focus is not just on cutting costs, but on improving overall financial performance and focusing on the bottom line. Our goal has been to transform Amtrak so that we carry out our Federal mandate to operate an efficient business as well as deliver an exceptional customer service. The men and women of Amtrak take our responsibilities as stewards of public funds seriously, and their efforts are directed to deliver the best possible value for each dollar of public investment.

While today's discussion is about food and beverage service, we are focused on continuous improvement for all aspects of our business. Food service for passengers is an essential component of any transportation service that operates scheduled trips that extend for more than a very few hours. Since 1981, Congress has required us to ensure that the revenues attributable to food and beverage services exceed the costs of providing it, and today we are

within the limits set by that statute. Congressional hearings and studies by the Government Accountability Office and the Inspector Generals of USDOT and Amtrak have detailed the complexity of our food and beverage service, and eight presidents of Amtrak have devoted considerable effort to the challenge of providing these services at the lowest possible cost to the public on a system spread across 46 states, and great progress has resulted.

Our ongoing programs have certainly delivered measureable financial efficiencies. In 2006, our food and beverage services recovered 49% of their costs. In 2011, these services recovered 59% of their costs – a 20% improvement. Part of what attracts people to Amtrak services is the availability of food, and the manner in which it is offered. If we were to eliminate food and beverage services, we would actually lose more money, because of the loss in associated ticket revenue<sup>1</sup>. In spite of this fact, we are still looking for ways to improve our cost recovery. It took a lot of work to get to where we are today, and we're planning on making more improvements in the coming years. Our goal is to recover 70% of food and beverage costs by 2015.

These are some of the specific actions we have taken:

- One, that we outsourced commissary operations, and used a competitive procurement process to get better services at a lower cost.
- Two, we introduced onboard credit card processing, simplified dining car services to reduce costs and introduced an at-seat cart service on several of our trains
- Three, automation technology has been a big help. We are in the process of introducing an onboard “point of sale” system to manage food and beverage sales

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<sup>1</sup> See House Report No. 97-783 (August 19, 1982), pp. 58-59, which stated that, for purposes of satisfying the food service cost recovery requirement now codified at 49 USC 24305(c), up to 10% of ticket revenues could be attributed to food and beverage service because “substantial revenues would be lost if this service were eliminated.” Food and beverage costs not covered by food sales are equivalent to about 5% of Amtrak's current ticket revenues.

and track inventories. The automated management systems such as “Point of Sale” (POS) and Warehouse Inventory Management Systems (WIMS) that we are implementing for our food and beverage service will literally transform the way we do business. They will automate inventory management both at the commissary and aboard the train, and will eliminate time-consuming paper-intensive accountability processes.

When fully implemented, our new management systems will allow us to further optimize food sales and maximize revenue, in much the same way modern revenue management allowed us to improve our ticket yields. This is the kind of improvement we need – careful investment that leverages the skills of our on-board service employees so they can focus on selling, rather than filling out forms. These employees also have an important safety role to play, and are trained in basic first aid, emergency response and evacuation procedures. Our Food and Beverage employees are part of a team of transportation professionals.

While these are examples of things we’re doing today to improve our efficiency and cost recovery, we are also realigning our company to better respond to our customers’ needs. We established a set of metrics and performance goals, and we will establish clear lines of responsibility for financial performance at every level of the organization and empower managers to envision and implement the next round of improvements. A principal goal is to develop a structure and a culture that continually generate process improvements that will build on each other.

We have a plan to do this – and it is closely integrated with ongoing efforts to improve our company’s financial performance. The strategic plan that the company published late last year will provide the foundation to realign business processes and build a corporate structure

focused on financial efficiency, accountability and improved customer service delivery. To ensure the proper focus, we are now creating business lines that will be clearly accountable for financial performance and service delivery, but I want to stress that today's food and beverage programs are already closely integrated with our financial and service improvement goals. For example, in late 2010, we introduced a program of freshly prepared foods on *Acela Express*. Based on that success, we expanded that program to all trains in the Northeast Corridor in 2011. By 2012, we changed our inventory offering to better reflect consumer tastes, and revenues from onboard sales of these items doubled. This improvement was a product of our highly effective customer experience research program, newly developed business intelligence tools, and our contract with Aramark, which provides our commissary service. Future efforts will be carefully coordinated with existing and ongoing programs to ensure that we get the full benefit – which in this case exceeded a million dollars.

Let me close where I began. In FY 2011, food and beverage services accounted for less than eight percent of our total expenses for the year, and covered most of those costs with revenues from sales. In an organization that generated more than \$2.7 billion in annual revenue, and recovered more than 85% of its costs, this is a very small portion of a very large business – and one that has grown more efficient in recent years as demand for our services continues to grow. We have made significant improvements that have allowed us to continue operations while reducing our operating subsidy need by 17% over the previous fiscal year. But we are not satisfied. We will continue to refine our operation, and I am confident the company and the organization we're building will deliver more improvements in the years to come.

**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE**  
*Truth in Testimony Disclosure*

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Pursuant to clause 2(g)(5) of House Rule XI, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

**(1) Name:**

Joseph H. Boardman

**(2) Other than yourself, name of entity you are representing:**

Amtrak

**(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity?**

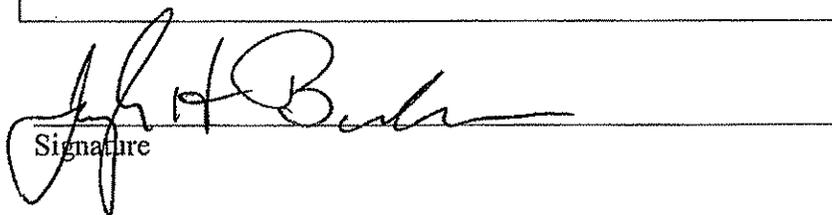


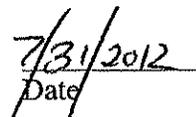
If yes, please provide the information requested below and attach your curriculum vitae.

NO

**(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:**

Please see the attached

  
Signature

  
Date

**NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)**

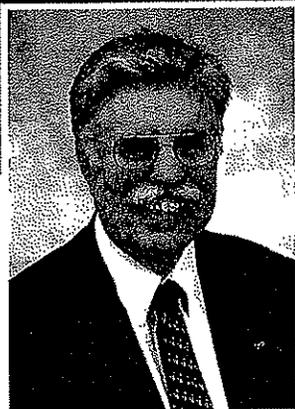
**Illustrative Schedule of Expenditures of Federal Awards**

For the Period Ending July 31, 2012

Federal Grantor	Pass-Through Grantor	Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor No.	Award Amount
U.S. Department of Transportation	N/A	FY2012 Capital and Debt Service Grant Agreement	20.315	N/A	\$942,480,000
U.S. Department of Transportation	N/A	FY2012 Operating Expenses Grant Agreement	20.315	N/A	\$466,000,000
U.S. Department of Transportation	N/A	New York City to Trenton, NJ High-Speed Rail Improvements	20.319	N/A	\$449,944,000
U.S. Department of Transportation	N/A	Efficiency Incentive Grant Agreement 2009/2007	20.315	N/A	\$62,693,000
U.S. Department of Transportation	N/A	Biodiesel Inter-City Passenger Rail Revenue Service Test	20.313	N/A	\$275,328
U.S. Department of Transportation	N/A	Cross-Functional Risk Reduction Team	20.301	N/A	\$70,000
U.S. Department of Transportation	N/A	Section 305 Equipment Pool Committee Grant Agreement	20.315	N/A	\$4,000,000
U.S. Department of Transportation	N/A	Exercise of Early Buy-out Options Grant Agreement	20.315	N/A	\$369,746,993
U.S. Department of Transportation	N/A	Northeast Corridor Operations and Infrastructure Advisory Commission	20.315	N/A	\$8,252,014
U.S. Department of Transportation	N/A	Advanced Civil Speed Enforcement System (ACSES) - Vial Train Management System Interoperability	20.321	N/A	\$10,280,000
U.S. Department of Homeland Security	N/A	FY2011 Intercity Passenger Rail Security Grant Program	97.075	N/A	\$22,214,456
U.S. Department of Homeland Security	N/A	FY2010 Intercity Passenger Rail Security Grant Program	97.075	N/A	\$20,000,000
U.S. Department of Homeland Security	N/A	FY2009 Intercity Passenger Rail Security Grant Program	97.075	N/A	\$25,000,000
U.S. Department of Homeland Security	N/A	FY2008 Intercity Passenger Rail Grant Program	97.075	N/A	\$25,000,000
U.S. Department of Homeland Security	N/A	FY2007 IPP - Intercity Passenger Rail Security Grant Program	97.075	N/A	\$6,309,537
U.S. Department of Homeland Security	N/A	FY2007 IPP Transit Security Grant Program Supplemental American Recovery and Reinvestment Act and Transit Security Grant Program - Law Enforcement	97.113	N/A	\$5,100,000
U.S. Department of Homeland Security	N/A	National Explosive Detection Canine Team Program	97.072	N/A	\$2,609,500
U.S. Department of Homeland Security	N/A	Amtrak Pilot for Securing Critical Underground Infrastructure (SCUI Grant Program) (1)	97.129	N/A	\$876,755
U.S. Department of Transportation	Illinois Commerce Commission	PEERS (Public Education & Enforcement Research Study)	20.313	007PEERS1	\$9,270
U.S. Environmental Protection Agency	Metropolitan Washington Council of Governments	Reducing Emissions from Rail Terminal Operations at Union Station	66.039	N/A	\$1,800,000
<b>TOTAL FEDERAL AWARDS</b>					<b>\$2,430,894,343</b>

The accompanying notes are an integral part of this schedule.

(1) The award amount is the value of in-kind equipment estimated by the grantor in the grant agreement. All in-kind equipment has been received by Amtrak.



**Joseph Boardman**  
President and Chief Executive Officer  
National Railroad Passenger Corporation (Amtrak)

Joseph H. Boardman was appointed President and Chief Executive Officer (CEO) of Amtrak by its Board of Directors in November 2008.

As President and CEO, Mr. Boardman oversees the management of America's Railroad which carried more than 30.2 million passengers in FY 2011, an all-time record. Amtrak operates more than 300 passenger trains each day – at speeds up to 150 mph (241 kph) – connecting more than 500 destinations in 46 states, the District of Columbia and three Canadian Provinces.

Under his leadership, Amtrak is building the equipment, infrastructure and organization needed to ensure its strong growth continues into the future. The company is investing in projects critical for enhancing the passenger experience and essential for supporting its national network of intercity and high-speed rail services.

Before joining Amtrak, Mr. Boardman was the Administrator of the Federal Railroad Administration (FRA), an agency under the U.S. Department of Transportation, and also served as a member of the Amtrak Board of Directors. Prior to his position at FRA, Mr. Boardman was the longest serving Commissioner of the New York State Department of Transportation.



Mr. Boardman has been involved with the transportation industry for more than 40 years with experience on the local, state and federal levels and his own transportation management company. In addition, he is a former Chairman of both the Executive Committee of the Transportation Research Board (TRB) and the American Association of State Highway and Transportation Officials' (AASHTO) Standing Committee on Rail Transportation (SCORT).

He is a native of New York State and is the second of eight children born and raised on a dairy farm in Oneida County. In 1966, he volunteered for military service in the United States Air Force and later received a Bachelor of Science degree in Agriculture Economics from Cornell University in Ithaca, NY, and a Master of Science degree in Management Science from the State University of New York at Binghamton.

Mr. Boardman presently resides with his wife Joanne in Washington, D.C.