

Draft Testimony Of

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Thank you Chairman Mica, Ranking Member Rahall and members of the Transportation and Infrastructure Committee for inviting me to testify today. My name is Patricia Quinn, I am the Executive Director of the Northern New England Passenger Rail Authority (NNEPRA), and am the person responsible for the overall management and oversight of the Amtrak Downeaster.

The Amtrak Downeaster began operating passenger rail service between Portland, Maine and Boston, Massachusetts on December 15, 2001 in response to a citizens' initiative led by TrainRiders Northeast to re-establish passenger rail service between Maine and Boston after decades of no service at all. The goal of decision-makers at the time was to create a service which was part of Amtrak's national rail system but also a service which was uniquely Maine. To assure its care and success, NNEPRA was created by the Maine State Legislature in 1995. Our purpose is to manage passenger rail service to and within Maine, and to maximize the public benefit of the service. The NNEPRA Team consists of six dedicated professionals. We manage the operating agreement with Amtrak, host railroads, outside vendors and station communities and stay connected with our passengers.

The initial agreement with Amtrak to operate the Downeaster, which was signed in December 2, 1996, included provisions for NNEPRA to procure services for marketing, reservations and ticketing, and food service independently. This was done to assure that the Downeaster would have a unique "Maine brand" and to provide NNEPRA with the ability to more closely manage the finances of the operation, which would be funded by the State of Maine. I am here today to talk specifically about our ten-plus years of experience managing our on-board food service operation, which we refer to as the Downeaster Café.

I am pleased to tell you that the Downeaster overall has been extremely successful, carrying more than four million passengers the equivalent of over 300 million passenger miles to date. In addition to providing transportation, it has stimulated hundreds of millions of dollars in private investment along the Downeaster corridor and has maintained one of the highest customer satisfaction (CSI) ratings in the entire Amtrak system.

Prior to the start of Downeaster service, NNEPRA procured the services of Epicurean Feast, a food service management company from Maynard, Massachusetts, to manage the Downeaster Café. Amtrak participated in the development of the contract and requirements and has partnered with us since that time to assure the success of the operation. The Downeaster service is based in Portland, so it would be awkward to staff the Downeaster Café from Amtrak's Boston commissary, and inefficient to create a new isolated Amtrak operation in Portland.

Under the Epicurean-NNEPRA agreement, Epicurean manages the operation including the hiring and management of employees, purchasing of food and on board service. They have a supervisor who works out of a satellite office in Portland, in the NNEPRA office.

The financial arrangement between NNEPRA and Epicurean is such that all revenues and expenses are reported monthly, including a management fee. NNEPRA reimburses Epicurean for the difference. While it was initially envisioned that it was possible to generate surplus revenues from the food service operation, we found out quickly that the nature of the operation was such that "profit" was a challenge to achieve.

Although the Downeaster Café is not a revenue generator it is an important passenger amenity which has contributed significantly to the success of the Downeaster and achieves a cost recovery rate of approximately 75%. In FY2012 (which for NNEPRA is July 1, 2011 – June 30, 2012) the revenue per passenger was \$1.09 and the expense per passenger was \$1.46, resulting in a net cost of \$.37 per passenger. That translates to total sales of \$574,505 and total expenses of 769,161 and nets out to a total cost of \$194,556. Labor accounts for approximately 44% of Café expenses, food and liquor purchases account for 33%, general operating expenses account for 17% and the remaining 6% is for commission and G&A.

While the Café in an of itself is not profitable, it is amenity built into the price of a passenger ticket and is a key reason passengers pay an additional fee to upgrade to Business Class. I believe our business would decrease, and overall costs would increase if the Downeaster Café did not exist. That said, our objective, and my personal challenge is to at least achieve break-even status with our food service operation without sacrificing the passenger experience. We work hard every day toward that goal and stay actively involved in the day-to-day operation of the Downeaster Café.

The Downeaster Café serves light meals and snacks, stocked appropriately to the time of each run. NNEPRA has significant input into the menu items, and encourages Epicurean to provide as many Maine and regionally-produced products as possible. We serve sandwiches from a local chain, beers from local micro-brews, chocolates and whoopie pies from local confectioner – and of course lobster rolls in the summer. In addition to the sales, this exposure has proven to be very beneficial to Epicurean’s vendor partners.

Because the operation is physically located in-house, we are able to closely monitor trends, and make instant decisions which will result in increased revenues, reduced expenses, or improved customer service. Those are, after all, the three basic elements to the operation of any business.

NNEPRA monitors the financial performance of the Downeaster Café very closely. In addition to receiving daily reports regarding sales, the monthly P&L statement provided by Epicurean details every transaction made for the Downeaster Café. We track labor cost, food purchases, spoilage, Business Class comps and many other line items. On a quarterly basis, we meet formally with Epicurean management to review operations, menus, and financial performance and have even established an incentive program if the financial and service goals of the Café are met.

While it would not work for all, the Downeaster Café model is one which I think other states could consider, particularly in light of the pending implementation of PRIIA 209. It is an opportunity for states to have input or even take responsibility for an element of the passenger rail business which has both financial and service related impacts.

NNEPRA considers the Downeaster Café to be a critical component of the Downeaster service and a success story. CSI scores for the Downeaster are consistently higher than the Amtrak overall average in

categories of food quality, café personnel, and overall café experience. In FY12, Downeaster passengers rated their overall café experience 5% higher than other Amtrak services. I believe this is directly related to NNEPRA's involvement in the service, Epicurean's dedication to helping us achieve our goals, and Amtrak's ongoing partnership and support. Together, we constantly strive to find ways to increase revenues, reduce expenses, and improve customer service. It's our standard of excellence.