U.S. Department of Transportation
Office of the Secretary of Transportation

The Inspector General

Office of Inspector General
Washington, DC 20590

February 23, 2009

The Honorable Patty Murray
Chairman
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable John W. Olver
Chairman
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
Committee on Appropriations
United States House of Representatives
Washington, DC 20515

The Honorable Christopher "Kit" Bond
Ranking Member
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable Tom Latham
Ranking Member
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
Committee on Appropriations
United States House of Representatives
Washington, DC 20515

Dear Chairmen Murray and Olver and Ranking Members Bond and Latham:

This report presents our quarterly assessment of Amtrak's year-to-date (through December) fiscal year (FY) 2009 financial performance and operational reform savings.[1] In addition, it provides a final assessment of Amtrak's FY 2008 operational reform savings. Amtrak's operating loss through December totaled $82.2 million, $26.1 million or 24.1 percent less than Amtrak originally forecasted. Despite the softening economy, Amtrak is expected to end FY 2009 only slightly below its original forecast and does not require significantly increased operating subsidies to meet its funding requirements. Finally, Amtrak could take steps to improve its financial outlook. However, Amtrak has decided not to implement any new operational reform initiatives in FY 2009 and has taken no specific steps to curtail FY 2009 spending in light of economic conditions.

[1] Operational reform savings are defined as a reduction in operating costs or an increase in revenue.

Key Issues

- **Amtrak's Projected Lower FY 2009 Revenues are Offset by Projected Lower Employee Benefit and Energy Costs.** Amtrak lowered its FY 2009 revenue projection by $169 million since our November report, primarily reflecting the economic recession. At the same time, Amtrak lowered its projected fuel costs by $165.4 million and employee benefit costs by $21.9 million. As a result, Amtrak projects a FY 2009 operating loss of $476 million, only $1 million more than originally forecast.

- **Amtrak Is Not Implementing Any FY 2009 Operational Reform Savings.** Amtrak decided, 1 year ago, when it developed its FY 2009 budget not to pursue any reforms to improve its operating efficiency in FY 2009. Despite the significantly worsening economic conditions during the past year, Amtrak has not altered this decision. In addition, Amtrak has not taken any specific steps to curtail its planned FY 2009 expenditures.

- **Amtrak Overstates Its FY 2009 Operating Subsidy Requirements.** Amtrak is seeking a $114 million or 24-percent increase above the current Continuing Resolution (CR) level for Federal operating subsidy. Based on our analysis, Amtrak requires no more than an additional $40 million above the CR level to meet its FY 2009 operating requirements, make the FY 2009 retroactive wage payment, follow through on its decision to replace lenders on its defeased leases[2] and have an adequate cash balance at the start of FY 2010.

Amtrak's Financial Performance Through December Was Slightly Better than Expected Despite a Softening Economy

Amtrak's operating loss through December totaled $82.2 million, $26.1 million or 24.1 percent less than Amtrak originally forecasted. This amount primarily reflects lower than expected revenues that were offset by even lower employee benefit and fuel costs.

Total operating revenue through December was $612.0 million, $24.8 million or 3.9 percent less than originally forecasted. This decline reflects $39.1 million in lower passenger related revenues, partially offset by $14.3 million in higher reimbursable maintenance of way, commuter, and commercial revenues.

[2] A defeased lease is a financing transaction involving, in this case, Amtrak's sale of rolling stock to a private equity firm which, in turn, leases the equipment back to Amtrak. Defeased leases permit the capture of tax benefits that otherwise could not be used. Amtrak is seeking to replace its third-party guarantor on all 12 of its defeased leases with a stronger lender. During the past year, a credit rating downgrade for one of Amtrak's lenders put three of these transactions into technical default.

The lower passenger revenues reflects a 7.0 percent decline in passenger ticket sales ($31.7 million), a 4.3 percent decline in food and beverage sales ($1.0 million), and a 14.4 percent decline in state supported train revenues ($6.4 million). The declines in passenger ticket and food and beverage revenues reflect significantly lower ridership compared to Amtrak's original forecast (see table 1). For example, revenues for Amtrak's *Acela* service were down 14.8 percent, or $19.6 million, on a 12.3 percent decline in ridership, and revenues from the Northeast Regional service was down 9.7 percent, or $12.9 million, on a 9.0 percent decline in ridership. By contrast, Amtrak's long distance service ticket sales were up 4.9 percent, or $5 million higher than budget, reflecting a ridership increase of 2.9 percent. In addition, revenues from state-supported services were down 3.0 percent on a 2.4 percent ridership decline. The decline in state supported train revenues primarily reflects a delay in signing contracts and receiving payments from a number of large states. Amtrak forecasts that it will receive these payments by the end of FY 2009.

Table 1. Amtrak Ridership and Passenger Ticket Revenues Actual vs. Budget (1st Quarter FY 2009)

	Ridership			Ticket Revenue ($ Thousands)		
NEC:	**Actual**	**Budget**	**% Diff.**	**Actual**	**Budget**	**% Diff.**
Acela	805,910	919,021	-12.3	$113,325	$132,934	-14.8
Northeast Regional	1,809,032	1,987,697	-9.0	$120,003	$132,887	-9.7
NEC Total	2,616,722	2,909,018	-10.0	$233,657	$266,121	-12.2
State Supported / Corridors	3,360,610	3,442,095	-2.4	$92,194	$95,036	-3.0
Long Distance	1,072,603	1,042,697	2.9	$106,603	$101,622	4.9
Amtrak Total	**7,049,935**	**7,393,810**	**-4.7**	**$432,454**	**$462,779**	**-6.6**

Source: Amtrak.

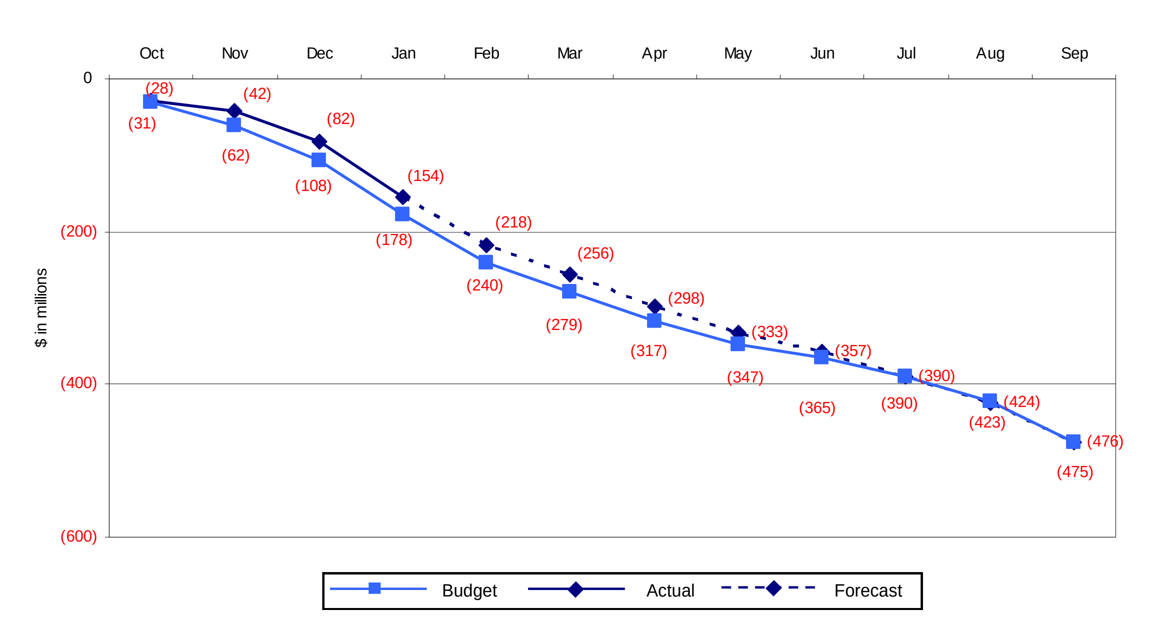
Total operating expenses through December were $694.2 million or 6.2 percent less than originally budgeted, driven by significant decreases in employee benefit and fuel expenses. The lower employee benefit costs, which were $29.7 million or 24.0 percent less than budgeted, reflected both lower labor agreement health benefit costs and lower Railroad Retirement Tax Act (RRTA) tax expenditures. Amtrak attributes the lower health benefit costs, which were $14.2 million or 30.0 percent less than projected, to recent changes to AmPlan that resulted in employees using fewer services than Amtrak had forecasted. Regarding RRTA taxes, Amtrak overestimated the amount of these taxes it was required to pay.

Also, Amtrak benefited from sharp declines in diesel fuel cost per gallon, as its fuel expenses were 23.6 percent, or $24.3 million, lower than previously budgeted.

Amtrak's Projected FY 2009 Operating Loss Is Not Expected to Grow Significantly

Amtrak projects a FY 2009 operating loss of $476 million, only $1 million more than originally forecast, despite significant projected changes in both revenues and expenses (see figure 1).

Figure 1. Amtrak Actual vs. Budget FY 2009 Operating Loss



Source: Amtrak.

Amtrak reestimated both its revenue and ridership forecasts in light of the steep decline in the economy since the FY 2009 budget forecasts were prepared last summer. Amtrak now projects total FY 2009 revenues will be $2,378 million, $169.1 million or 6.6 percent below the previous forecast. Passenger related revenues are projected to be $184.5 million below the previous forecast—offset by a projected increase of $15.0 million in ancillary revenues, that is, reimbursable maintenance of way, commuter, and commercial revenues.

The lower projected passenger related revenues reflect a significantly lower FY 2009 ridership forecast. Projected ridership in FY 2009 has been revised downward by 9 percent, from 29.9 million to 27.2 million riders. As a result, ridership is projected to be 5 percent below FY 2008 levels, the first decline in overall ridership since FY 2006. Additionally, Amtrak has decided not to go forward with a number of planned pricing actions.

Amtrak's revenue forecast is based on more pessimistic economic assumptions than forecasts from other organizations, such as the Congressional Budget Office (CBO) or the Mortgage Bankers Association (MBA). Specifically, Amtrak projects a 3 percent decline in real Gross Domestic Product (GDP) in FY 2009, while CBO projects a 1.9 percent decline and MBA projects a 1.3 percent decline. Amtrak also projects an unemployment rate of 9 percent, whereas both CBO and MBA project a 7.7 percent rate.

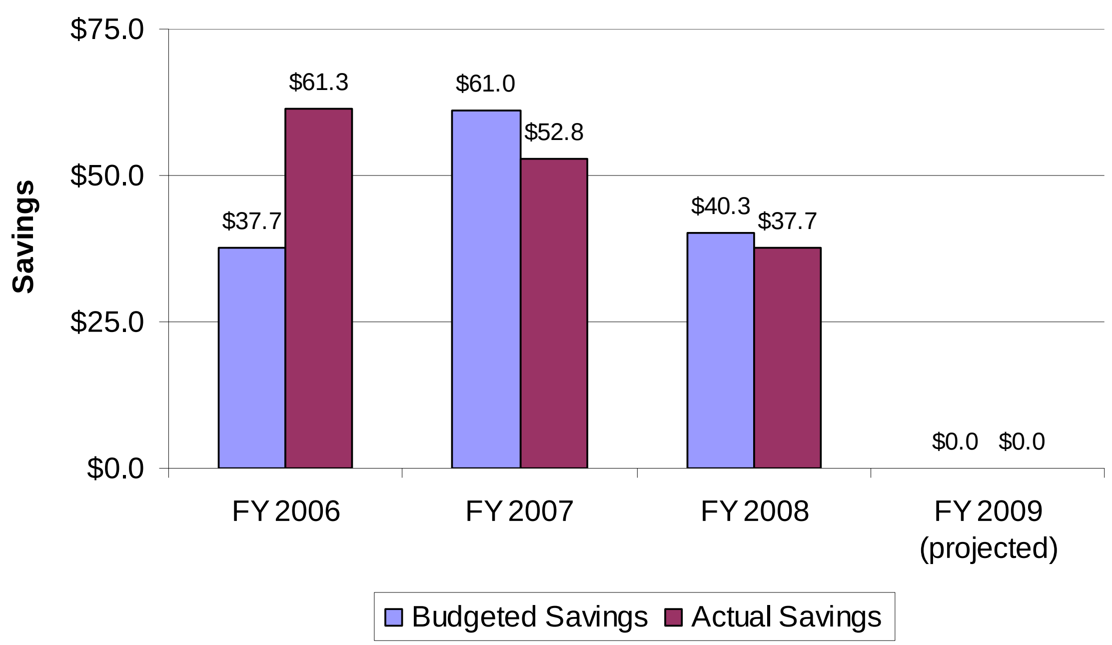
Amtrak projects FY 2009 total operating expenses at $2,853.9 million, $168.1 million less than originally forecasted. As was the case through December, this decline primarily reflects lower fuel costs ($165.4 million below the original forecast) and employee benefit costs ($21.9 million below the original forecast).

Significantly, Amtrak expects to end the year with a $115.3 million cash balance, $32.1 million below the original forecast and $188.0 million below the cash balance at the start of FY 2009. Amtrak plans to spend down its cash balance largely due to two significant one-time expenditures: the $145.1 million retroactive wage payment and $96 million to replace its third-party guarantors for its defeased leases.

Amtrak's FY 2009 Budget Does Not Include Any Operating Reform Savings

Amtrak's FY 2009 budget, which was prepared in calendar year 2008 before the steep economic decline, does not include any new operational reforms intended to improve Amtrak's operating efficiencies and lower its Federal operating subsidies (see figure 2 on the following page). This is a significant shift from Amtrak's initial efforts to implement operational reforms in FY 2006 when Amtrak far exceeded its budgeted savings with $61.3 million in actual savings. However, Amtrak did not meet its budgeted operational savings goals for both FY 2007 and FY 2008, coming in $8.2 million short in FY 2007 and $2.6 million short in FY 2008. Despite the annual decline, Amtrak's overall cost savings has exceeded expectations. Between FY 2006 and FY 2008, Amtrak budgeted $139 million in operational reform savings, but actually earned $151.8 million.

Figure 2. Amtrak Operational Reform Savings Budget vs. Actual FY 2006 – FY 2009 ($ in millions)



Source: Amtrak.

According to Amtrak, a new strategic plan, which is under development, may provide further guidance on the possibility for future operational reforms.

In addition to not taking any long-term operational reforms, Amtrak has not taken any specific cost-cutting steps in response to the economic downturn. As a result, Amtrak's planned FY 2009 spending is substantially higher than its FY 2008 spending in a number of categories, including facilities, communications, and office, which is 9.9 percent higher, and advertising and sales, which is 8.8 percent higher.

Amtrak's FY 2008 Operating Reform Savings Nearly Met Projections

Amtrak achieved $37.7 million in operational reform savings for FY 2008, $2.6 million short of its $40.3 million target. The shortfall occurred primarily in the on-board WiFi, luxury charters, and engineering efficiencies reforms. Savings from FY 2008 operational reforms are presented in table 2, enclosure 1, and discussed in detail in enclosure 2.

Amtrak's reform initiative to reduce costs and improve service quality saved $14.7 million in FY 2008, slightly more than it was projected to save. This was achieved through the higher than expected revenue increases on the NEC, which offset the cancellation of the on-board WiFi and luxury charter services reforms. The initiative to increase sales and distribution efficiencies achieved $4.3 million in additional revenue, which was $3 million more than expected. The reform initiative to enhance reliability and efficiency of mechanical services, which focuses on the continued rollout of Amtrak's Reliability Centered Maintenance (RCM) program, achieved $0.5 million more in savings than expected.

Amtrak's fourth reform initiative, which sought to improve management systems and overhead efficiencies across departments, resulted in total savings of $4.2 million in FY 2008, $0.2 million more than expected. Finally, Amtrak's initiative to achieve ongoing operating efficiencies resulted in $22.0 million in savings in FY 2008, which is $2.2 million more than was expected. The savings within this initiative made up 58.4 percent of Amtrak's total FY 2008 operational reform savings. However, Amtrak reported no savings in the unidentified operating reforms category, despite initially committing to achieve $8.5 million in additional savings in this category in FY 2008.

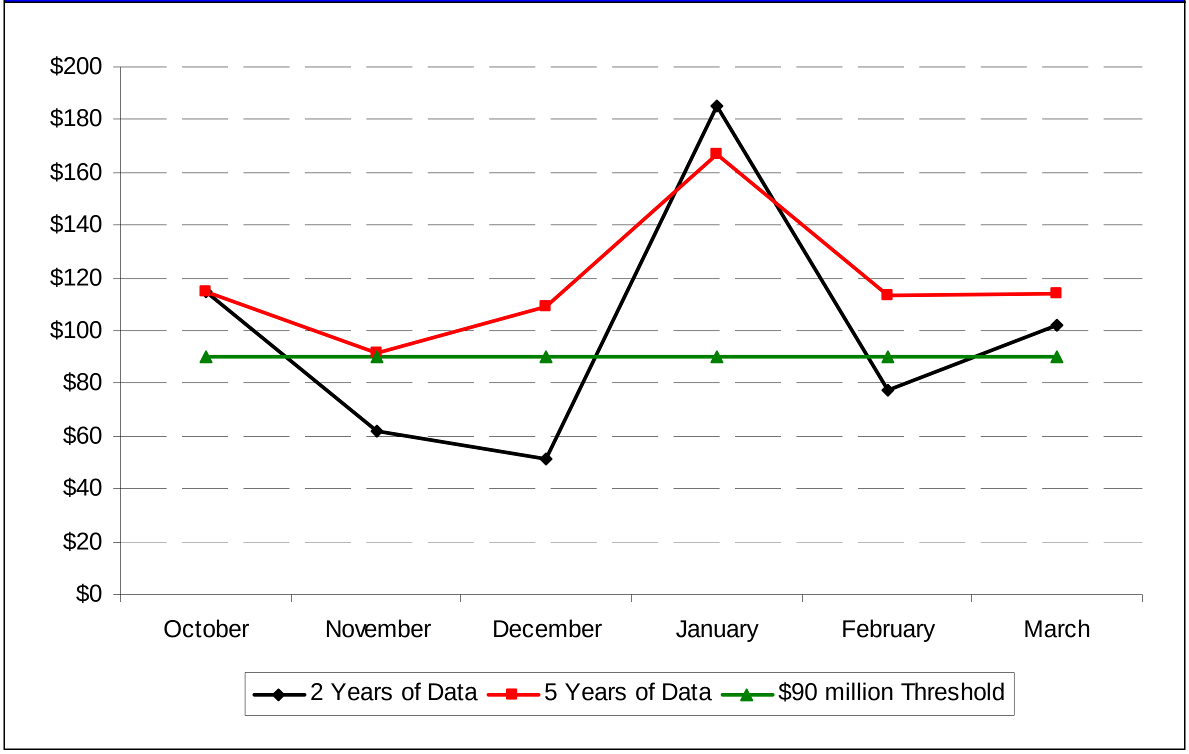
Amtrak Overstates Its FY 2009 Operating Subsidy Requirements

Amtrak is seeking a FY 2009 operating subsidy of $589 million, 24 percent more than the FY 2008 level and the FY 2009 CR level. Based on our analysis, Amtrak requires no more that $40 million above the CR level, primarily to reduce the estimation risk associated with Amtrak's revenue forecasts and to implement Amtrak's decision regarding its defeased leases. We based this conclusion on the following.

First, our analysis indicated that Amtrak may have overestimated the amount of cash it will require to have on-hand at the start of FY 2010. The FY 2010 cash requirement is a primary driver of Amtrak's FY 2009 funding requirement because Amtrak plans to pay several one-time expenses, such as the defeased leases, by spending down its large cash balance. This, it believes, will set a $180 million cash on-hand requirement at the start of FY 2010. Based on Amtrak's actual performance over the past 5 years, its $115 million projected end-of-year cash balance is minimally sufficient to meet its requirements entering FY 2010. However, Amtrak based its need for a $180 million cash balance at the start of FY 2010 on only 2 years of data, FYs 2007 and 2008, and did not include a specific evaluation of FY 2010 actual needs. An examination of a broader set of data (FYs 2004 through 2008) indicated that on average, Amtrak will require much less cash on-hand to meet its first quarter FY 2010 needs (see figure 3).

Second, shortly Amtrak will receive $1.3 billion of stimulus funds through the recently enacted American Recovery and Reinvestment Act, which will provide it liquidity in the short term. Amtrak must ensure that it spends $1.3 billion on stimulus-related projects. However, Amtrak is not a Federal agency and, as such, does not currently segregate its funds by source. Instead, Amtrak pays operating, capital, and debt service bills as they come due from whatever cash is on hand at the time, whether that be from self-generated revenues or Federal appropriations. Similiarly, the stimulus funds will be cash available to Amtrak to pay bills as they come due in the near term. Provided Amtrak prudently manages its cash flow, it would be able to address any unforeseen liquidity concerns and spend the total amount intended for stimulus projects. Third, Amtrak could take steps to further improve its financial condition by reducing its planned increases in FY 2009 spending or implement operating reforms this year.

Figure 3. Amtrak Projected Cash Flow
1st and 2nd Quarters FY 2010 ($ in millions)



Source: OIG analysis of Amtrak data.

In conclusion, as a recipient of Federal operating subsidies, Amtrak should continue to seek year-over-year operating efficiency improvements, rather than rely only on Federal increased payments to bridge its funding needs. To accomplish this, Amtrak should include these improvements in its forthcoming strategic plan. In addition, Amtrak should ensure that management commitment and corporate resources are dedicated to identifying specific strategic reforms and identifying its plans for implementation of the reforms. A program management structure that will provide an appropriate level of accountability and transparency for the reforms.

Under separate cover, we are transmitting copies of this letter to the Secretary of Transportation and the Chairman of Amtrak's Board of Directors. If you have any questions concerning this letter, please contact me at (202) 366-1959 or David Tornquist, Assistant Inspector General for Rail and Maritime Program Audits and Economic Analysis, at (202) 366-1981.

Sincerely,

Calvin L. Scovel III

Calvin L. Scovel III
Inspector General

Enclosures (2)

cc: Secretary of Transportation
Chairman of Amtrak's Board of Directors

Table 2. Summary of Amtrak's Savings through September of FY 2008 ($ in millions)*

Amtrak's Net Operating Savings	Budgeted FY 2008 Benefit	Budgeted YTD Benefit	Actual YTD Benefit	YTD Variance
Reform Initiatives				
1. Reduce Costs and Improve Service Quality	**14.6**	**14.6**	**14.7**	**0.1**
NEC Service Improvements	7.0	7.0	8.3	1.3
NEC Acela Service Improvement	*4.0*	*4.0*	*6.0*	*2.0*
16th Acela Trainset	*1.7*	*1.7*	*2.3*	*0.6*
Implement On-board Wi-Fi	*1.3*	*1.3*	*0.0*	*(1.3)*
Long-Distance Service Improvements	4.3	4.3	3.6	(0.8)
Coast Starlight Relaunch	*2.2*	*2.2*	*2.5*	*0.2*
Customer Service Improvement	*0.9*	*0.9*	*0.9*	*0.0*
Luxury Charter Services	*1.2*	*1.2*	*0.2*	*(1.0)*
Food and Beverage	3.3	3.3	2.9	(0.4)
Redesign Equipment	*1.5*	*1.5*	*1.0*	*(0.6)*
Gate Gourmet Contract	*1.8*	*1.8*	*1.9*	*0.1*
2. Increase Sales and Distribution Efficiencies	**1.3**	**1.3**	**4.3**	**3.0**
e-Ticketing Customized Access	*1.3*	*1.3*	*4.3*	*3.0*
3. Enhance Reliability and Efficiency of Mechanical Services	**(8.1)**	**(8.1)**	**(7.6)**	**0.5**
Reliability Centered Maintenance	*(8.3)*	*(8.3)*	*(7.6)*	*0.7*
Facility Consolidation	*0.2*	*0.2*	*0.0*	*(0.2)*
4. Improve Management Systems and Overhead Efficiencies	**4.1**	**4.1**	**4.2**	**0.1**
Reduce Energy Costs	*2.0*	*2.0*	*2.7*	*0.7*
On-Board Credit Card Automation	*2.1*	*2.1*	*1.5*	*(0.6)*
5. Achieve Ongoing Efficiencies	**19.8**	**19.8**	**22.0**	**2.2**
Fuel Use Management	*0.1*	*0.1*	*4.6*	*4.5*
Engineering Efficiencies	*1.7*	*1.7*	*(3.1)*	*(4.8)*
Productivity Savings in Environmental, Transportation, and Mechanical Departments	*18.0*	*18.0*	*20.5*	*2.5*
Reform Initiatives' Savings	**31.8**	**31.8**	**37.7**	**5.9**
Savings from Unidentified Business Initiatives	*8.5*	*8.5*	*0.0*	*(8.5)*
Total	**40.3**	**40.3**	**37.7**	**(2.6)**

Source: Amtrak
*Note: Columns may not sum due to rounding.

Amtrak's FY 2008 Operating Reform Savings Nearly Met Projections

In FY 2008, Amtrak achieved $37.7 million in operational reform savings, which fell short of its $40.3 million target. The following sections provide details on Amtrak's FY 2008 initiatives through September 2008.

Reduce Costs and Improve Service Quality. The reform initiative to reduce costs and improve service quality consists of three components—Northeast Corridor (NEC) Service Improvement, Long-Distance Service Improvements, and Food and Beverage Service restructuring. Amtrak saved $14.7 million through this initiative, slightly more than it projected to save.

The NEC Service Improvement program generated greater revenues from Acela service throughout FY 2008, despite setbacks. With the exception of Amtrak's stalled plans for implementing WiFi on *Acela* trains, Amtrak's efforts to improve customer service on the NEC achieved $8.3 million in additional revenues, which is $1.3 million higher than expected for FY 2008.

Amtrak introduced a 16th *Acela* trainset to its operation in July 2007 to increase service frequency and meet customer demand in the Northeast Corridor. This reform generated $2.3 million in additional revenues through July of FY 2008, which was $0.6 million higher than expected for the entire year. Amtrak last reported on this initiative in July 2008. Amtrak also worked to improve customer satisfaction, expand its customer base, and increase customer willingness to pay premium fares on *Acela* by overhauling *Acela's* first-class menu service, adding leather seats in first class, and increasing its focus on customer service. It attributed $6.0 million of its increased revenues for FY 2008 to these customer satisfaction improvements.

Amtrak did not achieve any of the expected $1.3 million in operational savings for its plans to provide Wi-Fi service on *Acela* trains in FY 2008. Amtrak cancelled its previous contract and is currently testing service through a new service provider. WiFi service is available in Amtrak stations.

Amtrak's long distance service reforms picked up in the fourth quarter of FY 2008. Despite falling $0.8 million short of its FY 2008 target for this program ($4.3 million), Amtrak's long distance reforms earned $1.3 million in operational savings in the fourth quarter alone. These reforms were projected to cut costs, increase revenues, and terminate or restructure poor performing long distance routes.

The planned reforms for FY 2008 were to relaunch the *Coast Starlight* service as a premium service, continue Amtrak's focus on improving overall customer service, and introduce luxury charter services.

The relaunch of the *Coast Starlight*, initially planned for March 2008, was delayed until June 2008 due to track damage from mudslides in Oregon. However, in the fourth quarter of FY 2008, this initiative generated $1.7 million in additional revenue, which was 16 percent higher than budgeted. Although successful, Amtrak has no plans to add premium service to other long distance routes for FY 2009.

Beginning in April 2008, Amtrak placed customer service managers on five long distance routes—the *City of New Orleans*, *Southwest Chief*, *Crescent*, *Sunset Limited*, and *Empire Builder*—to improve customer service and boost passenger ticket revenues. Amtrak attributed $0.9 million in increased revenues to this initiative for FY 2008. Finally, as previously reported, GrandLuxe decided to discontinue its luxury charter service in November 2007 after eight trips, because it found the venture unprofitable.

Amtrak's efforts to reduce food service costs earned lower than expected savings in FY 2008. Amtrak reported a savings of $2.9 million in FY 2008 through this program which was $0.4 million less than originally budgeted. This shortfall was driven by problems with Amtrak's plan to combine dining and lounge cars on certain long distance routes. Specifically, Amtrak attempted to reform its food and beverage service in FY 2008 by deploying combined dining and lounge cars on certain routes, and renegotiating a more cost-effective contract with its food service provider.

Because of greater than expected ridership in FY 2008, Amtrak revised its original plans to deploy superliner dining/lounge cars on some of the routes originally selected for this initiative. For example, on certain routes, the combined cars did not offer enough space for both passenger seating and food service needs in peak periods of ridership. Consequently, Amtrak delayed its plans for the *Texas Eagle*, and cancelled its original plans for the *Sunset Limited.* Both routes continue to have high levels of ridership, but deploying combined dining/lounge cars may negatively impact Amtrak's customer service. In September 2008, the dining/lounge equipment modified for operation on the Sunset Limited was reassigned to operate on the Capitol Limited as a diner in conjunction with a separate lounge car.

Amtrak deployed a single dining/lounge car on the *City of New Orleans (CONO)* as planned in October 2007. However, higher than expected ridership on the *CONO* required Amtrak to add more food service employees to handle demand. This increase in labor costs reduced the anticipated cost savings for this route, despite generating additional food and beverage sales revenues. Because of these setbacks to the original plan, Amtrak's cost savings were $0.6 million less than expected.

In contrast, Amtrak saved $1.9 million in FY 2008, slightly more than forecast, through its renegotiated contract with on-board food service provider, Gate Gourmet. However, Amtrak established a new contract with a different food service provider, Aramark. The transition from Gate Gourmet to Aramark was completed in December 2008. With the change in food provider, Amtrak forecasts an additional $2.0 million in annual cost savings.

Increased Sales and Distribution Efficiencies. This initiative focuses on e- ticketing, specifically facilitating ticket sales online, improving sales-related customer service, reducing ticketing-related administrative costs, and implementing demand-based pricing. Amtrak has already implemented aspects of this initiative, such as reducing call center costs, and establishing an international travel agency website to facilitate foreign ticket sales, which was launched in March 2007. In FY 2008, Amtrak earned $4.3 million in additional revenue, which is $3.0 million more than expected. As part of its e-ticketing program, in FY 2009, Amtrak plans to initiate a print@home ticketing pilot program and to allow Sabre Travel agents to issue Amtrak e-tickets.

Enhance Reliability and Efficiency of Mechanical Services. This initiative focuses on the continued rollout of Amtrak's Reliability Centered Maintenance (RCM) program. The program seeks to reduce maintenance costs, improve equipment reliability, and increase revenues by increasing the operational availability of cars and locomotives while simultaneously improving their reliability. The early success in implementing RCM validated, standardized maintenance procedures on *Acela* led Amtrak to broaden the scope of the program beyond *Acela* equipment. Throughout FY 2008, Amtrak's review and revision of planned maintenance requirements for locomotives and Amfleet cars progressed ahead of schedule, creating the potential for cost efficiencies beyond expectations. For FY 2009, Amtrak plans to implement the results of analyses performed during 2008 on locomotives, Amfleet cars, and other car fleets.

The implementation of Amtrak's RCM program requires significant direct costs, including design and implementation consulting fees. Amtrak expects the same level of direct costs for the RCM program in FY 2009 as occurred in FY 2008. However, by increasing equipment operational availability, RCM generates additional revenues that are reflected in Amtrak's other initiative areas; and by improving equipment reliability, it improves Amtrak's on-time performance (OTP) and customer satisfaction. The revenue gains from RCM are reflected under the Reduce Costs and Improve Service initiative. Therefore, the savings for this initiative are recorded as a loss of $7.6 million for FY 2008, $0.5 million less than Amtrak expected to lose. However, Amtrak expects to see increased cost savings from RCM's improvements to Amtrak's planned maintenance program in FY 2009, because of reduced costs for materials and labor based on streamlined maintenance requirements and efficient maintenance procedures.

Amtrak continues to look for cost saving opportunities through facility consolidation. Any savings from facility consolidation are reflected in the productivity savings in the Environmental, Transportation, and Mechanical Departments program under the Achieve Ongoing Efficiencies initiative, as discussed below.

Improve Management Systems and Overhead Efficiencies. This initiative consists of two programs—reduced energy costs and improved on-board credit card automation, which resulted in total savings of $4.2 million in FY 2008. The program to reduce energy costs relies on negotiating more cost-effective contracts, ensuring accurate billing, and reducing unnecessary usage, which have resulted in net savings of $2.7 million in FY 2008, $0.7 million higher than expected, despite sharp fluctuations in fuel and utility costs in the third and fourth quarters of FY 2008.

The goal of the on-board credit card automation program is to increase revenues and reduce costs by facilitating customer use of credit cards and by automating other related processes. Amtrak attributed $1.5 million in revenue enhancements and cost savings in FY 2008 to this program, $0.6 million less than projected. Amtrak reported that the conductor sales portion of the project delayed to the first half of FY 2009 so that technological improvements can be implemented. The conductor sales portion of this project equals $1.4M of the budgeted savings of $2.1 million. The portion of this project that was not delayed was $0.7 million higher than expected.

Achieve Ongoing Efficiencies. The initiative to achieve ongoing efficiencies consists of three programs—engineering efficiencies, fuel use management, and productivity savings in the Environmental, Transportation, and Mechanical Departments. Overall, this initiative resulted in total savings of $22.0 million in FY 2008, which is $2.2 million more than was expected. The savings within this initiative made up 58.4 percent of Amtrak's total FY 2008 operational and cost savings.

The engineering efficiencies program focuses on increasing the productivity and reducing the costs of the engineering workforce. However, this program lost $3.1 million in FY 2008, which was $4.8 million less in savings than was projected. Amtrak attributed the drop in savings to increased labor costs from its recent labor settlement, other wage expenses, and increased need for rail tie inspections. To save fuel in FY 2008, Amtrak applied informal operating and managerial techniques and hired an instructor to train its employees on how to incrementally save fuel. As a result, Amtrak attributed $4.6 million in fuel savings to this program in FY 2008.

Finally, throughout FY 2008, Amtrak sought to contain cost growth in the Environmental, Transportation, and Mechanical Departments through productivity improvements, management of hiring, and other savings. Amtrak applied a 2-percent reduction in total of core salaries, straight time wages, and overtime in these departments, compared to its May 2007 forecast of the FY 2008 budget. This program saved $20.5 million in FY 2008, which was $2.5 million more than budgeted. Amtrak also implemented productivity improvements, such as identifying and eliminating unnecessary positions, holding positions open longer when additional man-hours were not immediately needed, and implementing changes in workload and increasing management's focus on non-labor related costs, such as fuel use and materials.

Addendum: The following table contains information contained in graphs (Figures 1, 2, and 3) in this document. This information was not a part of the original document but has been added here to accommodate assistive technology.

Figure 1. Amtrak Actual vs. Budget FY 2009 Operating Loss ($ in millions)

	Forecast	Budget
October	(28.4)	(31.4)
November	(42.3)	(61.6)
December	(82.2)	(107.6)
January	(154.2)	(178.3)
February	(218.1)	(240.2)
March	(255.9)	(278.7)
April	(298.0)	(316.6)
May	(332.6)	(347.1)
June	(357.1)	(364.9)
July	(389.5)	(390.3)
August	(424.0)	(423.0)
September	(476.0)	(475.0)

Figure 2. Amtrak Operational Reform Savings Budget vs. Actual FY 2006 – FY 2009 ($ in millions)

	Budgeted Savings	Actual Savings
FY 2006	37.7	61.3
FY 2007	61	52.8
FY 2008	40.3	37.6
FY 2009 (projected)	0	0

Figure 3. Amtrak Projected Cash Flow 1st and 2nd Quarters FY 2010 ($ in millions)

	2 Years of Data	5 Years of Data	$90 million Threshold
October	$115	$115	$90
November	$62	$91	$90
December	$51	$109	$90
January	$185	$167	$90
February	$77	$113	$90
March	$102	$114	$90