

**TESTIMONY OF  
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**BEFORE THE  
SUBCOMMITTEE ON GOVERNMENT OPERATIONS  
HEARING ON  
“AMTRAK’S FOOD AND BEVERAGE SERVICE”**

**THURSDAY, NOVEMBER 14, 2013**

**9:30 A.M.**

**2154 RAYBURN HOUSE OFFICE BUILDING**

Good Morning, Chairman Mica, and members of the Subcommittee.

My name is Thomas Hall, and I am Amtrak's Chief of Customer Service. I have worked for Amtrak for 33 years, running our food and beverage services since 2005. I was appointed Chief of Customer Service earlier this year. I would like to start by summarizing for the members of the Committee some of the recent history of our food and beverage services. In 2005, Amtrak provided testimony on our food and beverage operations before the House T&I committee. At the time, our performance was problematic. Amtrak OIG and the GAO had studied the operation, and found that the annual cost of providing food and beverage service exceeded revenues by a factor of 2; in 2006, this total amounted to a net loss of \$88 million. This was a problem, and Amtrak launched a program to reduce our food and beverage loss. We reduced staffing levels in dining cars and introduced new products which were less labor intensive. We introduced onboard credit card systems and began development work on "point of sale" and warehouse inventory management systems. We negotiated a better contract with our commissary contractor, and then obtained even better terms when we re-bid the commissary management contract.

In 2011, Amtrak OIG recommended Amtrak pursue a program to implement cashless onboard transactions, to minimize transaction costs, better utilize employee time, and reduce the possibility of fraud. The full Point of Sale system is slated for system wide introduction in 2014 and cashless sales will be piloted shortly thereafter. Last year, when we appeared before the House T&I Committee to testify about food and beverage, we had a story that highlighted the considerable progress we have made. Amtrak reduced its food and beverage loss by over 30% between 2006 and 2012, from \$105 million in inflation-adjusted dollars to \$72 million. The total

cost to Amtrak to offer food service to our passengers is about \$204.9 million, or just over 8% of our total cost structure. Of that, we recovered almost 65% of our costs through revenues in FY 2012 – meaning that the loss attributable to food service is equal to about 1.8% of all the costs the company incurred.

We operate more than 300 trains in 46 states each day, and in addressing this problem we knew one solution would not fill all needs. Our improvement was achieved through a number of actions. Some of it is a product of ridership growth; some of it is a product of better support contracts, better technologies, and more efficient processes. Amtrak introduced more consumer-relevant products, optimized the supply chain, improved decision support and pricing actions. All of this is a product of a gradual process of transformation that is designed to improve customer service, promote accountability, and increase the focus on Amtrak's bottom line.

We are now in the process of completing the plans for the next step, which is the elimination of the food and beverage loss over the next five years. Amtrak has been working to implement a strategic plan that will improve our focus on the bottom line, the elimination of the food and beverage loss is consistent with this strategy. To ensure the proper management focus, we have this past summer consolidated responsibility for operations and accountability for financial performance into a single department. The current loss is heavily concentrated in the dining car services of our long distance trains, and we have identified several strategies that will help us to improve the financial performance of our food and beverage service. They fall into six broadly defined categories of work:

- On-Board Logistics

- Product Development and Supply Chain
- Labor Optimization
- Training, Rewards, and Accountability
- Ticket Revenue Allocation
- Technology Enhancements and Process Improvements

In each category, specifically identified strategies will help us to cut costs or raise revenue. For example, “labor optimization” includes two approaches: first, seeking to ensure that staffing is aligned with ridership, customer demand and financial performance on each route; this ensures that costs are minimized where they can be, while ensuring that we employ sufficient staff to meet demand and satisfy customers. That’s the cost savings aspect; we will also seek to improve sales and the revenue generation of food service cars. We are working now to establish metrics to assess employee sales, improve stock tracking, and exploring new pricing and revenue management options. Many of our approaches allow us to expand on work that is already ongoing. Implementation of onboard technologies is now underway, and is expected to improve revenue recovery and provide improved decision support, while greatly reducing the amount of time employees are required to spend performing unprofitable inventory tasks.

I want to conclude by saying simply that a strong and viable food service program is vital to Amtrak’s health. We believe we have a mission to minimize our impact on the taxpayer, while providing an efficient and effective intercity passenger rail service on the national system. We live in a very competitive transportation market, and one of our advantages is the ability to provide some amenities – things like freedom of movement, city-center service, and the ability to buy food when you want it. Taking this away would hurt our competitiveness and reduce our

appeal to the customer, particularly the long distance customer. Studies have shown that elimination of the food and beverage services on Amtrak trains would cost more in terms of revenue than is spent on the existing service. We nevertheless recognize the importance of getting the food and beverage loss to zero, and we are committed to making this necessary efficiency improvement within the next five years.