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

The Inspector General

Office of Inspector General
Washington, D.C. 20590

April 6, 2006

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

The Honorable Joe Knollenberg
Chairman
Subcommittee on Transportation, Treasury, Housing and Urban Development, the Judiciary, and District of Columbia
Committee on Appropriations
United States House of Representatives
Washington, DC 20515

The Honorable Patty Murray
Ranking Member
Subcommittee on Transportation, Treasury, the Judiciary, Housing and Urban Development, and Related Agencies
Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable John W. Olver
Ranking Member
Subcommittee on Transportation, Treasury, Housing and Urban Development, the Judiciary, and District of Columbia
Committee on Appropriations
United States House of Representatives
Washington, DC 20515

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

Pursuant to the requirements of the Fiscal Year (FY) 2006 Appropriations Act (the Act) funding the Department of Transportation,[1] this report presents our estimates of the savings[2] Amtrak has achieved from operational reforms. The law mandates that these reforms include, but not be limited to, modifications to food and beverage service and sleeper class service. Our office is required to report quarterly to your Committees on whether or not, and to what extent, Amtrak has achieved savings from operational reforms. Further, under the Act, unless we certify that Amtrak has achieved operational savings by July 1, 2006, Amtrak will

[1] Transportation, Treasury, Housing and Urban Development, the Judiciary, District of Columbia, and Independent Agencies Appropriations Act, 2006 (TTHUD); Public Law No. 109-115.
[2] Defined throughout as net operating savings, or the reduction in net operating losses.

be prohibited from using appropriated funds to subsidize the net losses from food, beverage, and sleeper car service on any Amtrak route.

Amtrak's Board of Directors and current management seem committed to reform and some operational reforms are underway. However, most of Amtrak's operational reform initiatives are still in the planning stage, with the heavy lifting still to come. Current reform efforts will require many years of sustained commitment to fully implement. To achieve credible reductions to its Federal operating subsidy, Amtrak must be expansive and aggressive in both the scope and pace of implementing long-term, structural operational reform.

Summary

Our first quarterly report, issued January 5, 2006, established an FY 2006 operating subsidy baseline of $586 million. That is, Amtrak's planned operational reforms reflected in its Board-approved FY 2006 budget would result in a projected operating loss of $586 million. To live within its FY 2006 operating subsidy of $485 million,[3] Amtrak needs to reduce this projected operating loss by an additional 17 percent, or $101 million. Accordingly, our analysis will distinguish between reforms relied on to reduce losses to the baseline level (in the baseline) and those reforms Amtrak will rely on to close the $101 million budget gap (not in the baseline).

Savings from Operational Reforms. Amtrak's efforts to implement operational reforms in 15 areas are expected to reduce costs and increase revenues in 2006 and beyond. All the reforms are described in Appendix A.

Our certification in July on whether or not Amtrak has achieved savings from operational reforms will focus on those reforms, not included in the $586 million baseline, that will help Amtrak operate within its appropriation and reduce long run operating costs. As shown in Table 1, Amtrak expects to achieve $6.9 million in savings from these operational reforms. Amtrak estimates that through the end of January, it achieved only $214,000 in savings from them.

[3] The FY 2006 appropriations law provided $495 million in operating grants to Amtrak. The amount available to Amtrak for operations after the 1 percent across-the-board recision and the $5 million dedicated to the development of a managerial cost accounting system was effectively reduced to $485 million.

Table 1: Summary of Expected Savings From Amtrak Operational Reforms Year-to-Date (YTD) through January 2006 ($ in thousands)				
Amtrak Operating Savings	**Estimated FY 2006**	**Estimated YTD[4]**	**Actual YTD**	**Variance +/-**
Savings not in $586 million baseline[5]	6,917	214	214	0
Savings in $586 million baseline	32,362	9,043	18,952	9,909
Total	**39,279**	**9,257**	**19,166**	**9,909**

Our analysis relies on data generated by Amtrak's current revenue and cost accounting systems which do not readily support reporting and analysis of financial data on an initiative-level basis. We caution that the data provided by Amtrak and relied upon for this report are unaudited. We continue to work with Amtrak to ensure that the savings estimates are reliable so that we can properly express our opinion in July on whether Amtrak has achieved savings from operational reform.

Overall Financial Performance. Amtrak's overall financial performance through February has been better-than-expected. It has achieved $70.3 million of the $101 million in savings it must realize to live within its FY 2006 appropriated operating subsidy (see Figure 1). However, it is too early to tell whether Amtrak can sustain this improved performance through the end of the fiscal year. Further, it would be a mistake for Amtrak to allow its improved performance to lessen the attention and commitment it makes to achieve long-term operational reforms.

Amtrak plans to close the remaining budget gap with operational reforms, one-time actions and budget adjustments, by spending from the FY 2005 year-end cash reserves, and through better-than-projected revenue and cost performance. *Significantly, only a small portion of the $101 million in needed FY 2006 savings is expected to come from operational reforms.* Short-term gap-closing actions will not reduce Amtrak's need for subsidies in FY 2007 or beyond. Rather, only sustainable reforms, which require structural changes in the way passenger rail service is delivered, can accomplish that goal.

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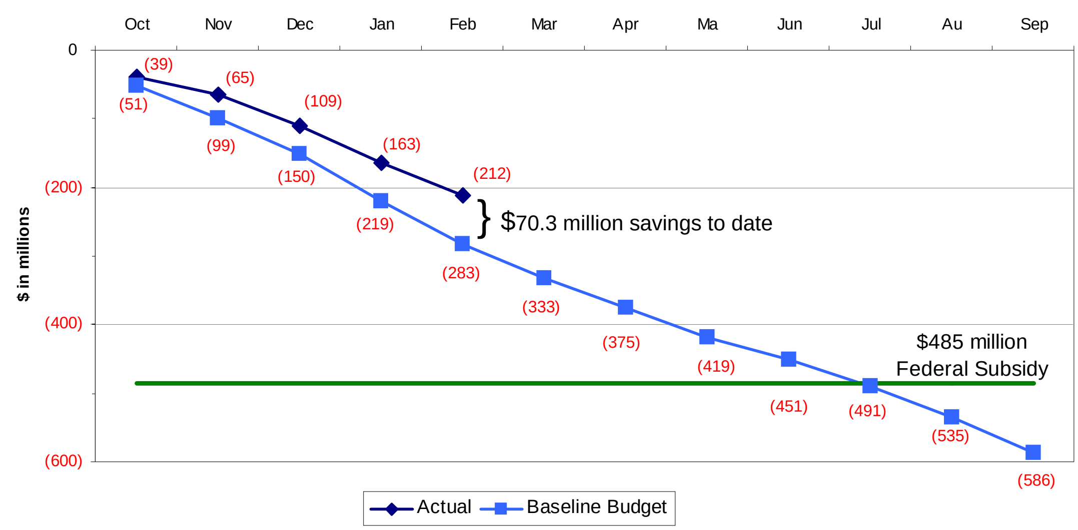
4 Amtrak provided data at the operational reforms level through January 2006.

5 On March 16, we testified before the Senate Appropriations Committee that our preliminary analysis indicated Amtrak expected to achieve about $20 million from savings not included in the baseline. This table reflects updated savings estimates from Amtrak and a refinement to our estimate of savings from operational reforms in the baseline and not in the baseline.

Figure 1: Amtrak Operating Loss
FY 2006 Year-to-Date through February



As part of its operational reforms, Amtrak needs to reduce the cost of providing long-distance service, particularly, sleeper service. Based on what Amtrak has achieved to date, significant savings in FY 2006 through operational reforms in this area should not be expected. Amtrak is not required to submit a “Get Well” plan for improving the performance of the bottom third performing trains (based on performance metrics to be agreed on by both parties) to the Federal Railroad Administration until July 1, 2006.

In July 2005, we reported that the operating loss per sleeper class passenger on some routes was more than $300 per passenger. We concluded that Amtrak could save between $75 million and $158 million in annual operating losses by eliminating sleeper car service, outsourcing food and beverage service, and eliminating other amenities on long-distance trains. We recommended that Amtrak experiment with reforming its long distance sleeper service through pilot projects.

Structure of this Letter

In our January report, we stated that we would evaluate Amtrak’s net operating savings on four levels of detail: (1) corporate, (2) business line, (3) route, and (4) strategic reform initiatives, that is, operational reforms. This letter sets the stage by first discussing the $586 million subsidy baseline then reporting on the four levels mentioned above. The discussion of strategic initiatives is divided into two sections: operational reforms not included in the $586 million subsidy baseline and operational reforms included in the baseline.

$586 Million Subsidy Baseline

The $586 million subsidy baseline reflects Amtrak's expected operating loss based upon the FY 2006 budget approved by its Board of Directors in September 2005. This baseline takes into account planned savings from operational reforms begun in FY 2005 and planned for FY 2006, before the issuance of our January report.

To live within the FY 2006 appropriated Federal operating subsidy, Amtrak must reduce its operating loss from the $586 million subsidy baseline to the appropriated subsidy of $485 million. This will require savings of $101 million in addition to the operational reforms included in the $586 million baseline.

Corporate Level Results

Through February 2006, Amtrak's operating loss, excluding depreciation and net interest expense, was $70.3 million less than what was anticipated relative to the $586 million baseline. As shown in Figure 1, Amtrak must maintain and improve upon these savings to date to live within its FY 2006 operating subsidy of $485 million. The improved financial performance to date primarily reflects fare increases, lower labor costs due to a reduction in authorized headcount, and about $10 million in savings from operational reforms not accounted for in the baseline.

Amtrak's general fare increases and the implementation of revenue management of the NEC Regional and Acela services[6] increased ticket revenues by $14.4 million above projected levels. This accounted for most of the $23.4 million increase in total operating revenues above projected levels. However, it is too early to tell whether Amtrak can maintain this performance. For example, for the first 5 months of FY 2006, Acela revenue fell by 1.6 percent compared to the first 5 months of FY 2005. At the same time, revenues for corridor services were 16 percent higher and long distance trains were 7.5 percent higher.

During the same period, total headcount was 1,310 lower than planned and accounted for $21.1 million of Amtrak's $34 million reduction in total operating costs below projected levels. Miscellaneous expenses were $17.6 million less than projected and fuel and power were $5.5 million above projected levels.

[6] Amtrak extended its current revenue management practices to the NEC Regional and Acela trains. Amtrak is now charging variable fares, based on demand levels rather than the previous peak/non-peak fare approach).

Business Line Results

As shown in Table 2, Amtrak reports operating results by each of its business lines. Most of Amtrak's improved performance to date comes from the National Train System (core) Operations — the *NEC*, *State-supported and other Corridors*, and *Long Distance Services* business lines. Through February 2006, losses from Amtrak's core operations were $41.8 million less than expected, relative to the $586 million subsidy baseline. Amtrak achieved additional savings of $28.5 million from its *Infrastructure Management*, *Ancillary Business* (commuter, reimbursable and commercial operations), and *Unallocated Systems* (overhead) business lines.

Table 2: Amtrak Net Profit/(Loss), excluding Federal Operating Subsidies[7]
FY 2006 - Year to Date through February ($ in Millions)

Business Line	**Actual**	**Baseline Budget**	**+/- to Baseline**
National Train System Operations	(146.4)	(188.2)	41.8
NEC	*91.2*	*72.6*	*18.6*
State Supported and Other Corridors	*(40.2)*	*(47.5)*	*7.3*
Long-Distance Service	*(197.2)*	*(213.2)*	*16.0*
Infrastructure Management	(31.4)	(40.4)	9.0
Ancillary Business[8]	36.9	28.7	8.2
Unallocated System	(71.5)	(82.8)	11.3
Total	**(212.4)**	**(282.7)**	**70.3**

The NEC operations showed an operating profit (excluding interest and depreciation) of $91.2 million through February 2006. State supported and other corridor operations had an operating loss of $40.2 million through February and losses for Amtrak's long distance service were nearly $200 million.

Route Level Results

To date, Amtrak's reform initiatives have targeted only a few individual routes, primarily as pilot projects. For example, in December 2005 and January 2006, Amtrak initiated a food and beverage pilot project to evaluate customer response to pre-plated and reheatable meals. The pilot project, which went into full

[7] Amtrak reports these financials on an earnings before interest, taxes, depreciation and OPEBs (EBITDO) basis
[8] Commuter, Reimbursable, and Commercial operations

implementation in February, was conducted on four long distance trains - Capitol Limited, Texas Eagle, City of New Orleans, and the Sunset Limited. We will begin our evaluation of the pilot projects after Amtrak reports its March financial results. Our evaluation will determine whether savings resulted from the programs.

As part of its food and beverage initiative, Amtrak eliminated all food service on the Empire Corridor from New York, New York to Albany, New York and closed the Albany Commissary. Amtrak reported savings for FY 2006 through January 2006 of $339,000 with a full year of savings projected at $1.1 million.

Amtrak's enhanced Empire Builder service was reported to achieve savings of $1.8 million through January 2006 and is expected to achieve full year operating savings of $2.8 million, net of additional food costs. However, last year this train lost $45 million and has lost $21.5 million through January of FY 2006.

Strategic Reform Initiatives (Operational Reforms)

Amtrak has identified 15 operational reforms that focus on structural changes necessary to reduce long-term annual operating losses (see Appendix A)**.** Amtrak expects to achieve a total of $39.3 million in savings from these reforms (see Table 1).

- Most of Amtrak's proposed operational reforms are not included in our $586 million subsidy baseline. Amtrak expects savings of $6.9 million in FY 2006 from these operational reforms. These reforms primarily target food and beverage and overhead functions.

- A limited number of the reforms were underway or planned when we issued our January 2006 report and those are accounted for in the $586 million baseline. Amtrak expects to achieve $32.4 million in savings from these operational reforms. These reforms include implementing revenue management in the NEC, efficiency improvements in fleet maintenance and facilities, labor productivity, reduced overhead costs, and increased revenues from food and beverage service.

Operational Reforms Not Included In the Subsidy Baseline

Through January 2006, Amtrak estimated that it had achieved only $214,000 of the $6.9 million in projected savings from operational reforms not included in the baseline (see Appendix B). Additional operational reforms will be critical in Amtrak's efforts to achieve the $101 million in savings needed to live within its appropriated Federal subsidy. Our July certification will focus on these savings. These operational reforms include:

- ***Food and Beverage Reform.*** Amtrak expects to achieve $4.8 million in net operating savings this year from several modifications to its food and beverage service. The largest benefit is expected from implementing its new *Simplified Dining* program, a program that provides pre-plated meals that require only reheating in a convection oven. It is expected to reduce diner car staff and associated labor costs by 35 percent through the elimination of two on-board service positions in the diner car. In addition, Amtrak plans to offer continuous, restaurant-style dining service and enhanced customer service, which is expected to increase food revenues.

  On February 15, 2006 Amtrak's Simplified Food Service program was implemented on four long-distance trains[9] and is expected to be expanded to the remaining long-distance trains (except Auto Train and Empire Builder) by June 2006. Amtrak's actual results through February 2006 shows costs for food supplies were about $2.5 million lower than budgeted and $2.6 million lower than the first 5 months of FY 2005, and total on-board services costs were $1.8 million below budget and $2.2 million lower than the same period last year.

  Amtrak expects to achieve cost savings of $938,000 in FY 2006 from the renegotiated Gate Gourmet contract. Through January 2006, Amtrak has achieved only $104,200 in cost savings from this initiative.

- ***Corporate Overhead.*** Outsourcing information technology, combined with lower software, storage, and communications costs, and increased management controls are expected to save $1.6 million in FY 2006. Capturing energy management efficiencies through enhanced oversight of utility expenditures is expected to save another $0.5 million in FY 2006. Amtrak estimates $110,000 in savings from energy management through January 2006.

- ***Other Operational Reforms.*** Several additional operational reforms are described in Appendix A. However, none of these are expected to generate savings in FY 2006 and only two have an implementation timetable and long-term savings projections.

[9] Simplified food service was implemented on the City of New Orleans, the Texas Eagle, the Sunset Limited, and the Capital Limited trains.

Operational Reforms Included in the Subsidy Baseline

Amtrak reported about $19 million in savings through January 2006 from operational reforms that were included in the $586 million subsidy baseline (see Appendix B). Progress-to-date is summarized below:

- ***Food and Beverage Reform.*** During FY 2005 Amtrak renegotiated contracts with its food vendors, which resulted in $723,893 in cost savings, and it expects an additional cost reduction of $380,416 in FY 2006. Eliminating food service on the Empire Corridor (between New York, New York and Albany, New York) allowed Amtrak to close the Albany commissary in July 2005 and opens the potential to realize $1.1 million in operating savings in FY 2006. Through January 2006, Amtrak reported a net savings of $339,000 in labor costs from the reform.

- ***Train Operations.*** Amtrak has several sub-initiatives underway, including consolidation of facilities and work functions and train fuel conservation. Specifically,

  - In October 2005, Amtrak consolidated its Amfleet maintenance from Albany to Washington, D.C. Through January, Amtrak reported a savings of $0.2 million with expected additional cost savings of $1.2 million through the consolidation of additional work efforts.

  - Additional initiatives are underway to improve labor productivity by reducing allowable overtime in Amtrak's Mechanical Division, and a 4 percent reduction in core straight time wages in Amtrak's Engineering Division, is budgeted to save $5.2 million in FY 2006. Through January 2006, Amtrak reported savings of about $2.5 million.

  - Through January 2006, Amtrak reported about $1.2 million in additional labor cost savings from improved crew management in the NEC.

  - Amtrak expects to reduce consumption of train fuel gallons by 1 percent through improved locomotive handling and utilization, which should result in an estimated annual operating cost savings of $1 million. Through January 2006, Amtrak has achieved a better-than-expected estimated cost reduction of $1.8 million, based on fuel cost of $1.83 per gallon. However, these savings were offset by an increase in the average price per gallon for fuel and resulted in core fuel costs of $2.9 million higher than budgeted.

- ***Corporate Overhead.*** Overhead efficiencies implemented this year include a reduction in outside legal fees, software, and communications costs. Savings in FY 2006 are estimated at $3.3 million, with Amtrak reporting just over

$1 million in savings from reduced legal fees through January 2006. As of January 2006, it had not reported savings in software and communications.

- ***Long Distance Train Service.*** As part of an initiative to reposition the Empire Builder service as a luxury service, Amtrak rolled out an enhanced service offering in August 2005. The enhanced service included refurbished sleeper, coach, and lounge cars; food and beverage upgrades, including additional on-board services personnel; and a refocus on customer service. Revenue on the Empire Builder was about 20 percent higher ($2.6 million) on a cumulative year-over-year basis through February 2006 with only a 3.6 percent increase in ridership. Consequently, Amtrak projects a decrease in net operating losses of about $2.8 million in FY 2006 from this initiative. Operating revenues through January were $1.5 million, excluding the cost of equipment overhaul. However, the service continues to lose money. Last year this train lost $45 million and has lost $21.5 million through January of FY 2006. Amtrak has no plans to expand this enhanced service to any of its other long-distance routes.

- ***NEC Operations.*** In October 2005, Amtrak began revenue management on NEC's Regional Service and on the Acela in February 2006. It now charges variable rates on Acela and Metroliner services, with prices 15 percent lower during off-peak travel times and 15 percent higher for last minute, peak travel. Amtrak's FY 2006 budget assumes $15 million will be realized from revenue management of the NEC trains.

Conclusion

Amtrak's financial performance to date in FY 2006 is $70.3 million better-than-expected. However, Amtrak has achieved only a minor amount of savings from operational reforms not included in the $586 million subsidy baseline.

We continue to have concerns regarding Amtrak's significant Federally subsidized losses on its food and beverage and sleeper service. Although it has begun to reform its food service provision, we have yet to see a plan that projects Amtrak to achieve a near breakeven provision of food service on its trains.

Additionally, Amtrak needs to achieve savings from long-distance service, particularly, its sleeper service. In July 2005, we reported that the operating loss per sleeper class passenger on some routes was more than $300 per passenger. We concluded that Amtrak could save between $75 million and $158 million in annual operating losses by eliminating sleeper car service, outsourcing food and beverage service, and eliminating other amenities on long-distance trains. Currently, Amtrak has no plan in place to significantly restructure any of these services. Amtrak must be more expansive and aggressive in the scope and pace of implementing long-term, structural operational reform if it is to achieve credible reductions to its required Federal operating subsidy.

Under separate cover, we are transmitting copies of this letter to the Secretary of Transportation and the Chairman of the Board of Amtrak. If you have any questions concerning this letter, please call me at (202) 366-1959, or David E. Tornquist, Assistant Inspector General for Competition and Economic Analysis, at (202) 366-9970.

Sincerely,

Todd J. Zinser
Acting Inspector General

Enclosures

Appendix A: Amtrak's Operational Reforms Description

In January 2006, Amtrak presented 15 operational reforms that focus on structural changes designed to reduce Amtrak's long-term annual operating losses. These reforms are Amtrak's response to congressional direction to achieve savings through operational reforms. To date, Amtrak has provided us with implementation plans and estimated net operating cost savings for only four of the reform initiatives. It is still developing implementation plans for the remaining operational reforms.

Table A: Amtrak's Proposed Operational Reforms			
Reforms Initiative	**Objective**	**Estimated Annual Savings ($ in millions)**	**Implementation Period**
Corporate			
1. Food and beverage	Reforms aimed at reducing losses through enhanced service flexibility, redesign of equipment, and outsourcing of certain services	34-76	FY 2006-FY 2010
2. Mechanical	Adopt reliability centered maintenance, consolidate facilities, and outsource selected activities	30-75	FY 2006-FY 2012
3. Customer service	Modernize ticket issuance, collection, and reporting processes and improve service quality measurement and delivery	12-25	FY 2006-FY 2010
4. Management information	Develop more accurate and timely information on costs of routes, individual activities, and functions	12	FY 2006-FY 2012
5. Stations	Address ADA compliance, state-of-good-repair, and reduce station operating costs	TBD	TBD
6. Call Centers	Reduce ticketing costs by reducing staffing, increasing utilization of lower cost distribution channels, and outsourcing	TBD	TBD
7. Overhead functions	Reduce unit costs of corporate support functions through selective outsourcing, staffing reductions, skills development, and greater use of technology.	TBD	TBD

Table A: Amtrak's Proposed Operational Reforms (cont.)			
8. Service reliability	Improve on-time performance of Acela and NEC trains through operational modifications and targeted investments	TBD	TBD
9. Labor contracts	Reduce unit costs and increase flexibility by negotiating new labor agreement that eliminate work rule and outsourcing restrictions, and base wages on market levels	TBD	TBD
10. Ongoing efficiencies	Enhance financial performance of other activities and functions through continued business improvements (e.g., operating crew optimization, maintenance of way productivity)	TBD	TBD
Business Line			
1. Long Distance	Improve performance of all routes by redefining sub-brands, restructuring, services/routes, selected luxury outsourcing, and corporate initiatives	TBD	TBD
2. NEC Operations	Boost financial contribution through improved load factors, adjusted service patterns, re-launching sub-brands, trip time investments, and corporate initiatives	TBD	TBD
3. Corridors	Improve competitiveness of state services, establish pilot competition project and transition states to full cost recovery for all corridor routes	TBD	TBD
4. Fleet Utilization	Optimize use of fleet, maximize load factors, and increase revenues by improving current train consist efficiency and retiring or redeploying excess equipment	TBD	TBD
5. Infrastructure	Develop a long-term capital master plan and operate NEC efficiently on behalf of all users, while establishing a fair sharing of operating and capital costs among all users	TBD	TBD

Appendix B: Amtrak's Savings to Date from Operational Reforms

In our January 2006 report, we stated that we would establish sub-baselines that reflect savings from specific initiatives. Since that time, based on our work with Amtrak, we have decided to report on a broader framework of sub-baselines. Table B-1 presents the estimated annual savings and year to date savings for FY 2006.

Table B-1: Summary of Amtrak Savings by Sub-Baseline
Year-to-Date through January 2006 ($ in thousands)

Amtrak Net Operating Savings	Estimated Annual Benefit	Estimated YTD Benefit	Actual YTD Benefit	Variance +/-
Corporate Initiatives	**20,430**	**5,280**	**8,164**	**2,884**
Food and Beverage	7,577	1,800	2,442	642
Train Operations	7,406	2,470	4,551	2,081
Fleet Maintenance and Facilities	*1,166*	*389*	*255*	*(134)*
Labor Efficiencies	*5,227*	*1,743*	*2,475*	*732*
Fuel Conservation	*1,013*	*338*	*1,821*	*1,483*
Customer Service	--	--	--	--
Management Information	--	--	--	--
Stations	--	--	--	--
Call Centers	--	--	--	--
Corporate Overhead	5,447	1,010	1,171	161
Law Department Efficiencies	*1,400*	*900*	*1,061*	*161*
Technology Efficiencies	*3,547*	*0*	*0*	*0*
Energy Management	*500*	*110*	*110*	*0*
Service Reliability	--	--	--	--
Labor Contracts	--	--	--	--
Business Line Initiatives	**18,849**	**3,977**	**11,002**	**7,025**
Long Distance Train Service	2,793	785	1,824	1,039
Sleeper Car Service	--	--	--	--
Restructuring	--	--	--	--
Redefining Service Offerings	*2,793*	*785*	*1,824*	*1,039*
NEC Operations	16,056	3,192	9,178	5,986
Fare and Revenue Management	*15,000*	*3,000*	*8,000*	*5,000*
Labor Efficiencies	*1,056*	*192*	*1,178*	*986*
Other	--	--	--	--
State-Supported & Other Corridors	--	--	--	--
Fleet Utilization	--	--	--	--
Infrastructure	--	--	--	--
Total	**39,279**	**9,257**	**19,166**	**9,909**

Amtrak Operational Reforms Included in the $586 Million Baseline

Table B-2 presents the reduction in net operating costs from Amtrak's operational reforms included in the $586 million baseline. Amtrak has achieved about $19 million in reduced net operating costs year-to-date through January 2006, more than half the expected reduction.

Table B-2: Summary of Reforms Included in Baseline Year-to-Date through January 2006 ($ in thousands)

Amtrak Net Operating Savings	Estimated Annual Benefit	Planned YTD Benefit	Actual YTD Benefit	Variance +/-
Food & Beverage	2,789	1,696	2,338	642
Empire Corridor	*1,124*	*271*	*339*	*68*
Outsourcing & Contracts	*380*	*254*	*254*	*0*
Menu Pricing	*1,285*	*0*	*0*	*0*
Train Operations	7,406	2,470	4,551	2,081
Fleet Maintenance and Facilities	*1,166*	*389*	*255*	*(134)*
Labor efficiencies	*5,227*	*1,743*	*2,475*	*732*
Fuel Conservation	*1,013*	*338*	*1,821*	*1,483*
Corporate Overhead	3,318	900	1,061	161
Law Department Efficiencies	*1,400*	*900*	*1,061*	*161*
Technology Efficiencies	*1,918*	*0*	*0*	*0*
Long Distance Train Service	2,793	785	1,824	1,039
Redefining Service Offerings	*2,793*	*785*	*1,824*	*1,039*
NEC Operations	16,056	3,192	9,178	5,986
Fare and Revenue Management	*15,000*	*3,000*	*8,000*	*5,000*
Labor Efficiencies	*1,056*	*192*	*1,178*	*986*
Total	**32,362**	**9,043**	**18,952**	**9,909**

Operational Reforms Not Included in the $586 Million Baseline

Amtrak has implemented additional operational reforms since our January 2006 report. Table B-3 presents the reduction in net operating costs from Amtrak's operational reforms not included in the $586 million baseline. These reforms are expected to generate $6.9 million in net operating savings for FY 2006. To date, Amtrak has reported only $214,000 in net operating cost savings.

Table B-3: Summary of Reforms Not Included in Baseline Year-to-Date through January 2006 ($ in thousands)

Amtrak Net Operating Cost Savings	Estimated Annual Benefit	Planned YTD Benefit	Actual YTD Benefit	Variance +/-
Food and Beverage	4,788	104	104	0
Simplified Dining	*3,850*	*0*	*0*	*0*
Outsourcing & Contracts	*938*	*104*	*104*	*0*
Corporate Overhead	2,129	110	110	0
Technology Efficiencies	*1,629*	*0*	*0*	*0*
Energy Management	*500*	*110*	*110*	*0*
Total	**6,917**	**214**	**214**	**0**