
BEFORE THE INTEREST ARBITRATION BOARD

**TESTIMONY OF
DONALD (“DJ”) STADTLER
AMTRAK VICE PRESIDENT OF OPERATIONS**

January 2014

Biography

- Vice President of Operations
 - Oversees Transportation, Engineering and Mechanical operations
- Formerly Amtrak Chief Financial Officer
- Formerly Budget Officer at the Federal Railroad Administration

Overview of Testimony

- I. Amtrak's Unique Financial Structure
- II. Amtrak's Financials: FY 2010 – FY 2013
- III. Amtrak's Current Financials: Improving, but Operating at a Loss
- IV. Financial Projections and Budget Needs Moving Forward: FY 2014 – FY 2017
- V. Cost of Labor Proposals

I. Amtrak's Unique Financial Structure

- Private corporation operating a public railroad
- Operating and capital budgets are dependent on Federal subsidies
 - Congress exercises oversight of financial issues
 - Reliance on annual appropriations restricts ability to undertake multi-year capital programs
- Periodic nature of operating support payments can result in low cash reserves

Congressional Oversight

- Like a Federal agency, many aspects of corporate priorities are set by Congress
 - Capital projects and project management
 - Overseen by Congress and the Secretary of Transportation
 - Food and beverage service
 - Congress required Amtrak Office of Inspector General to study and analyze food service, including contracting out

Congressional Oversight – Labor Costs

- Congress prohibits Amtrak from using funds to pay employees overtime in excess of \$35,000 per employee per year unless the president of Amtrak waives the cap for safety or operational efficiency reasons
- In CY 2013, Amtrak waived the cap for 1,022 employees
 - Amtrak paid those employees \$13.3 M in overtime exceeding \$35,000 per employee
 - 235 BMWED employees were paid \$4.2 M in excess of \$35,000 per employee
 - 115 BRS employees were paid \$1.7 M in excess of \$35,000 per employee

Amtrak Dependence on Partners

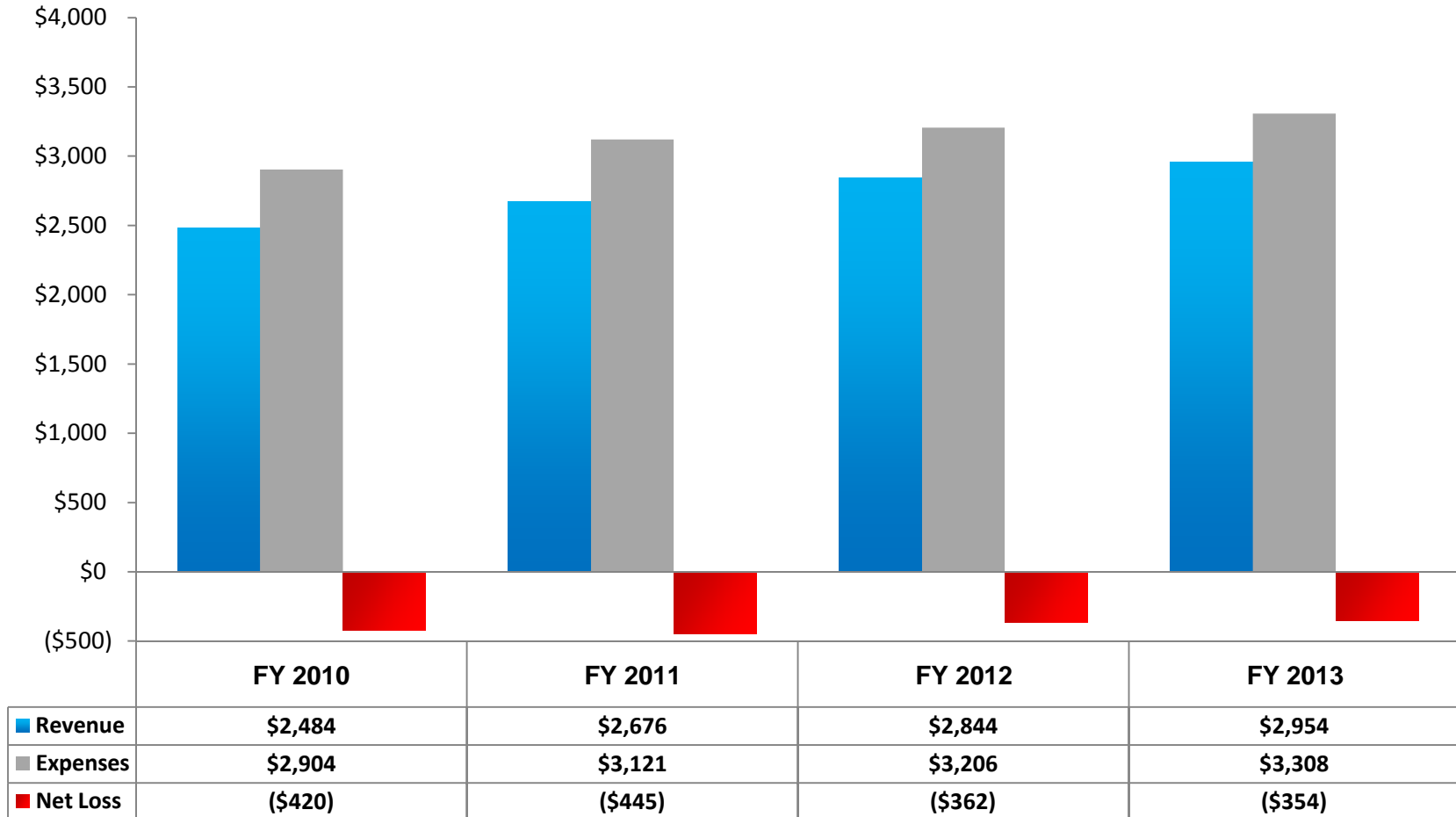
- As the operator and maintainer of the national intercity passenger rail system, Amtrak works in concert with state governments and other rail systems
- Amtrak-State Partnerships
 - Cost-sharing subject to annual state legislative appropriations
 - States' varying budget cycles affect when state partners can pay for state-supported services

II. Amtrak’s Financials: FY 2010 – FY 2013 (in millions)

Actual Operating Results	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	2,513	2,707	2,877	2,992
Expenses	3,723	3,955	4,036	4,173
Interest Expense	101	93	80	41
Net Operating Loss	(1,310)	(1,342)	(1,239)	(1,222)
Adjustments	890	897	878	868
Adjusted Operating Loss	(420)	(445)	(362)	(354)

Amtrak's Financials: FY 2010 – FY 2013

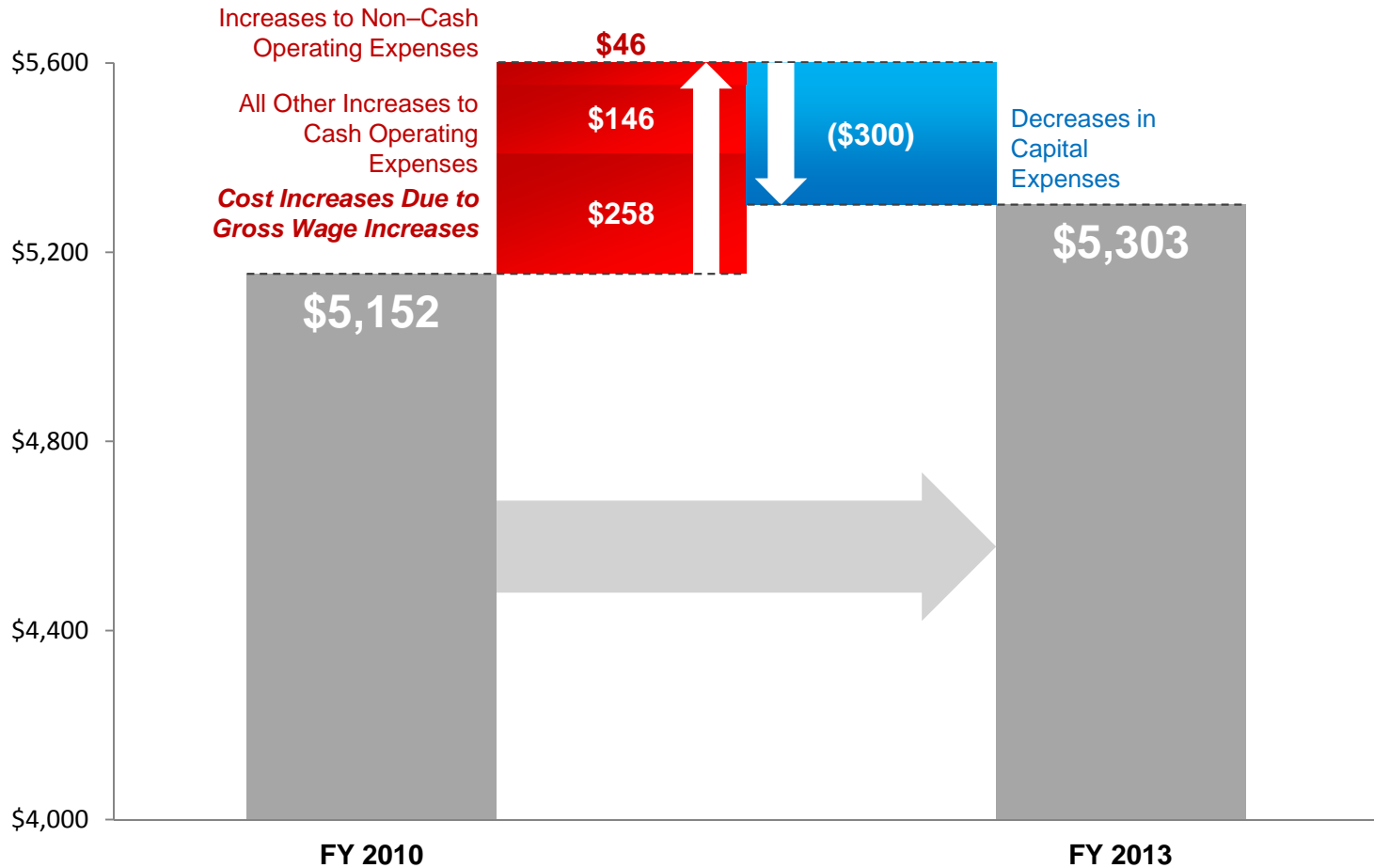
Operating Results In Millions



Amtrak's Financials: FY 2010 – FY 2013

Gross Wage Increases Cost \$258 Million

Operating and Capital Expenses In Millions



Note: Values rounded to the nearest million

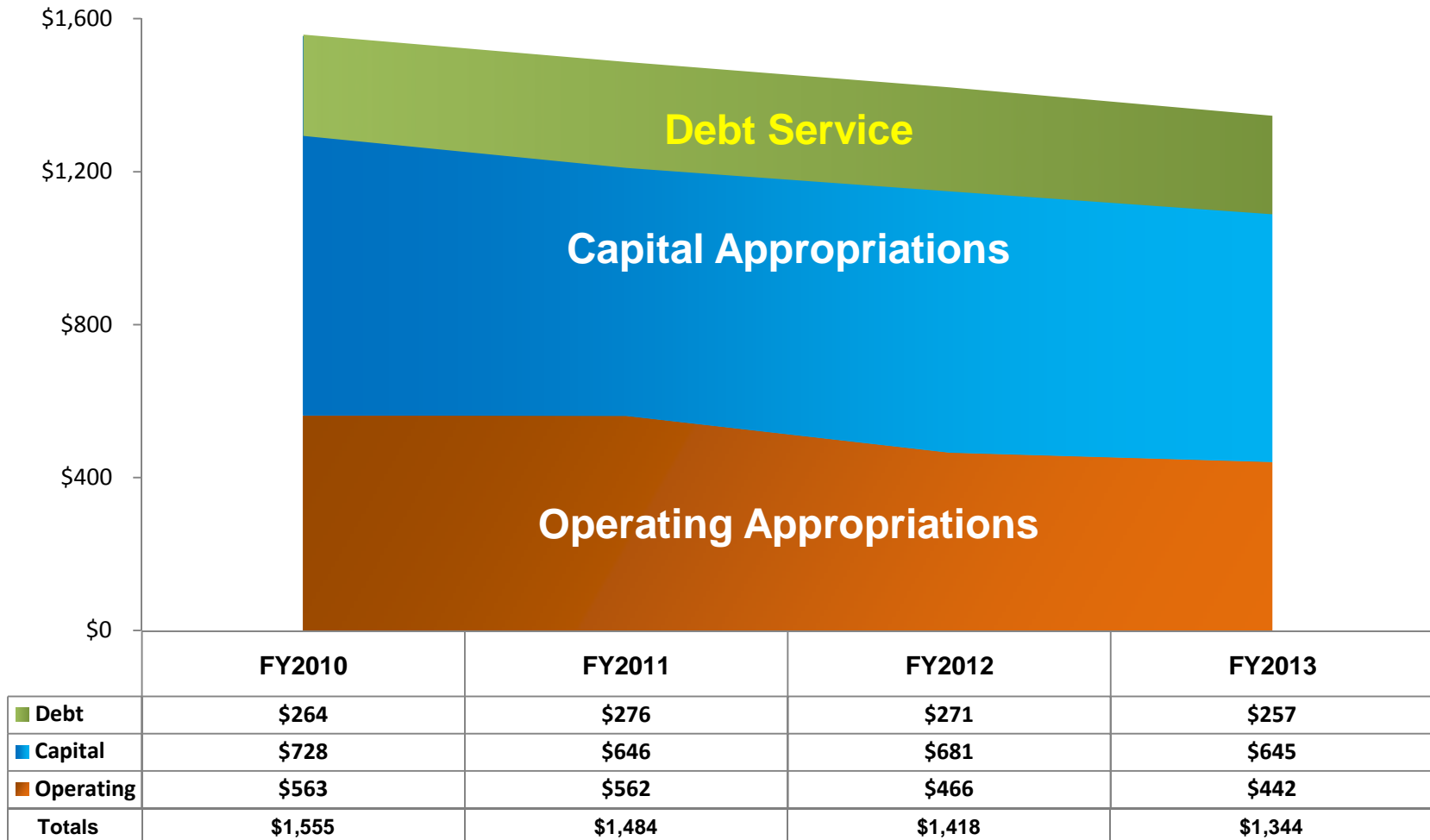


Amtrak Funding: FY 2010 – FY 2013

Federal Subsidies	FY 2010	FY 2011	FY 2012	FY 2013
Capital Grant	992	922	952	902
(non-debt)	728	646	681	645
(debt service)	264	276	271	257
Operating Grant	563	562	466	442
Total	1,555	1,484	1,418	1,344

Amtrak Funding: FY 2010 – FY 2013

Federal Appropriations In Millions



Congressional Funding Is Variable

- FY 2012 Baseline: \$1.418 billion
 - \$466 million operating
 - \$952 million capital/debt
- FY 2013 Reduction to \$1.344 billion
 - \$442 million operating
 - \$902 million capital/debt
 - Sequestration and across-the-board rescission combined reduced operating and capital/debt service grants by approximately 5.1%
- FY 2014 appropriations are pending but likely will not exceed FY 2013 funding

III. Amtrak's Current Financials: Improving, but Operating at a Loss

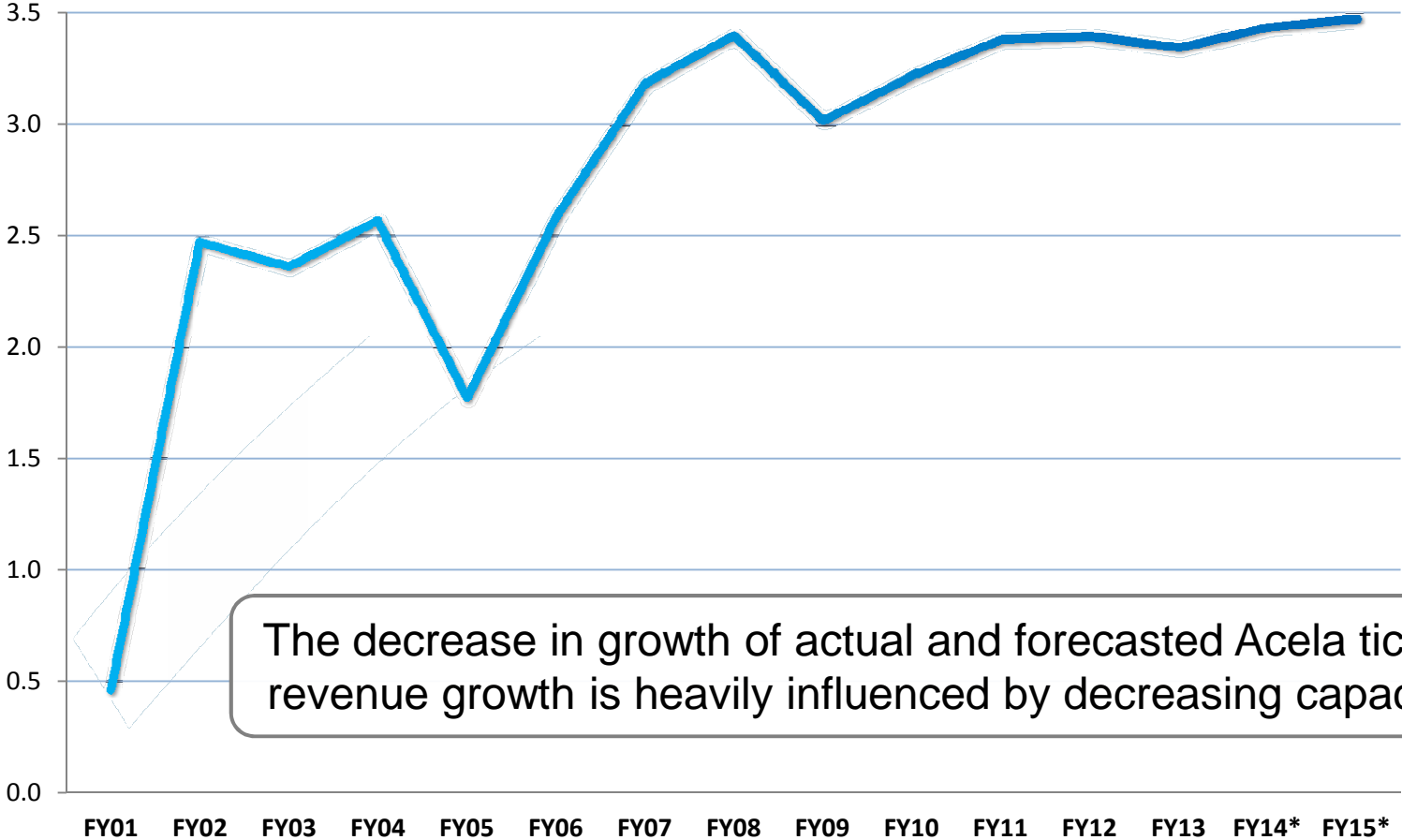
- Increased ridership and revenues have improved Amtrak's financial position
- Amtrak must continue to invest or it will lose the advantages of ridership growth benefits
- Amtrak is still dependent on Federal capital and operating subsidies
- There remains a basic inability to retain funds year over year
- Amtrak cannot continue to decrease operating costs without investing in capital improvements

Growing Ridership

- Ridership increased to an all-time high of 31.6 million in FY 2013
- Growth from ridership revenues is the product of investments made more than a decade ago
- Ridership is growing faster than capacity
- NEC Capacity expected to be maxed out in FY 2014 – FY 2015

Capacity Constraint on Acela: FY 2001 – FY 2015

Acela Ridership
In Millions



The decrease in growth of actual and forecasted Acela ticket revenue growth is heavily influenced by decreasing capacity

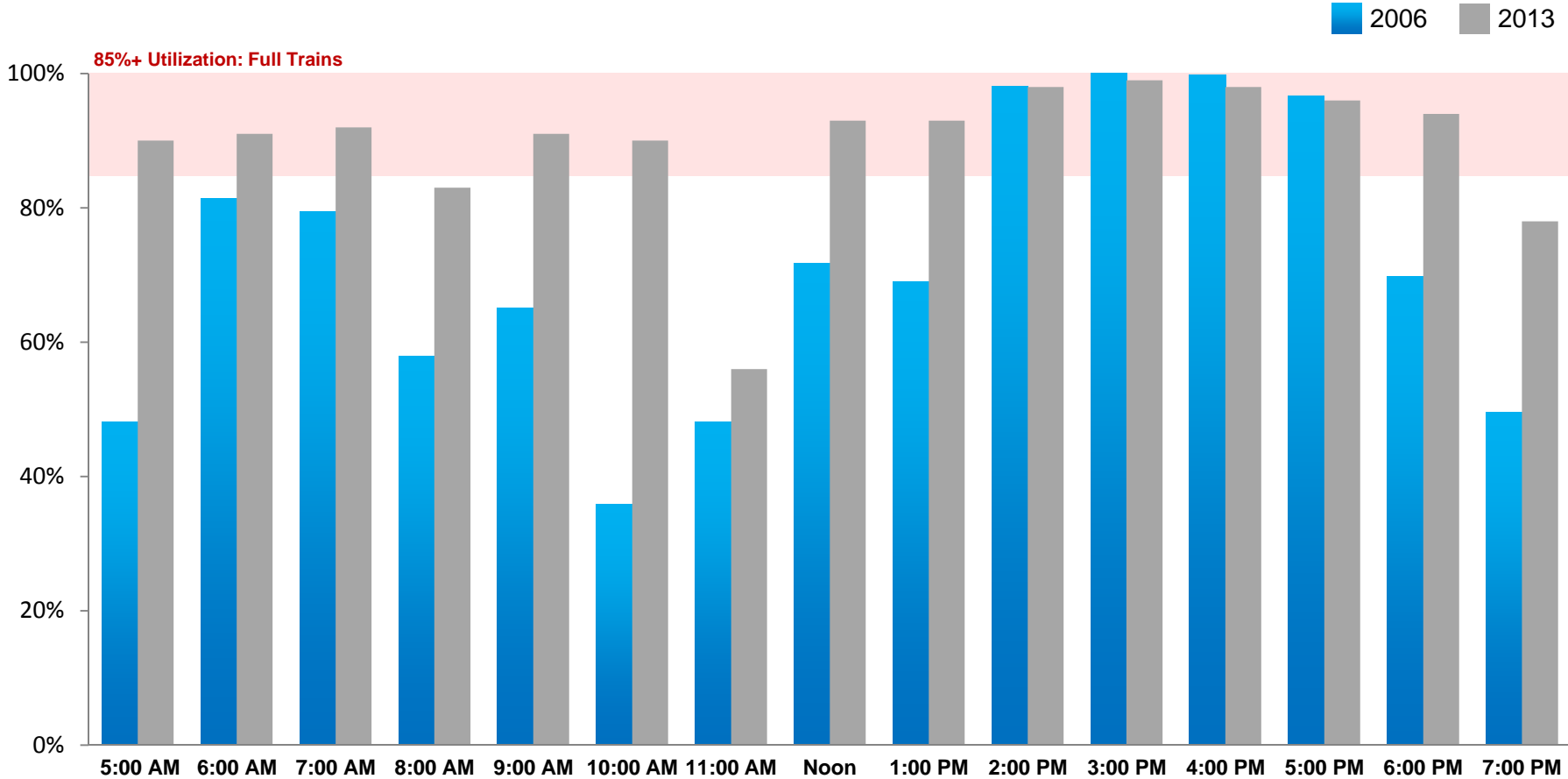
* Forecast



Fewer Acela Options on Peak Days: 2006 – 2013

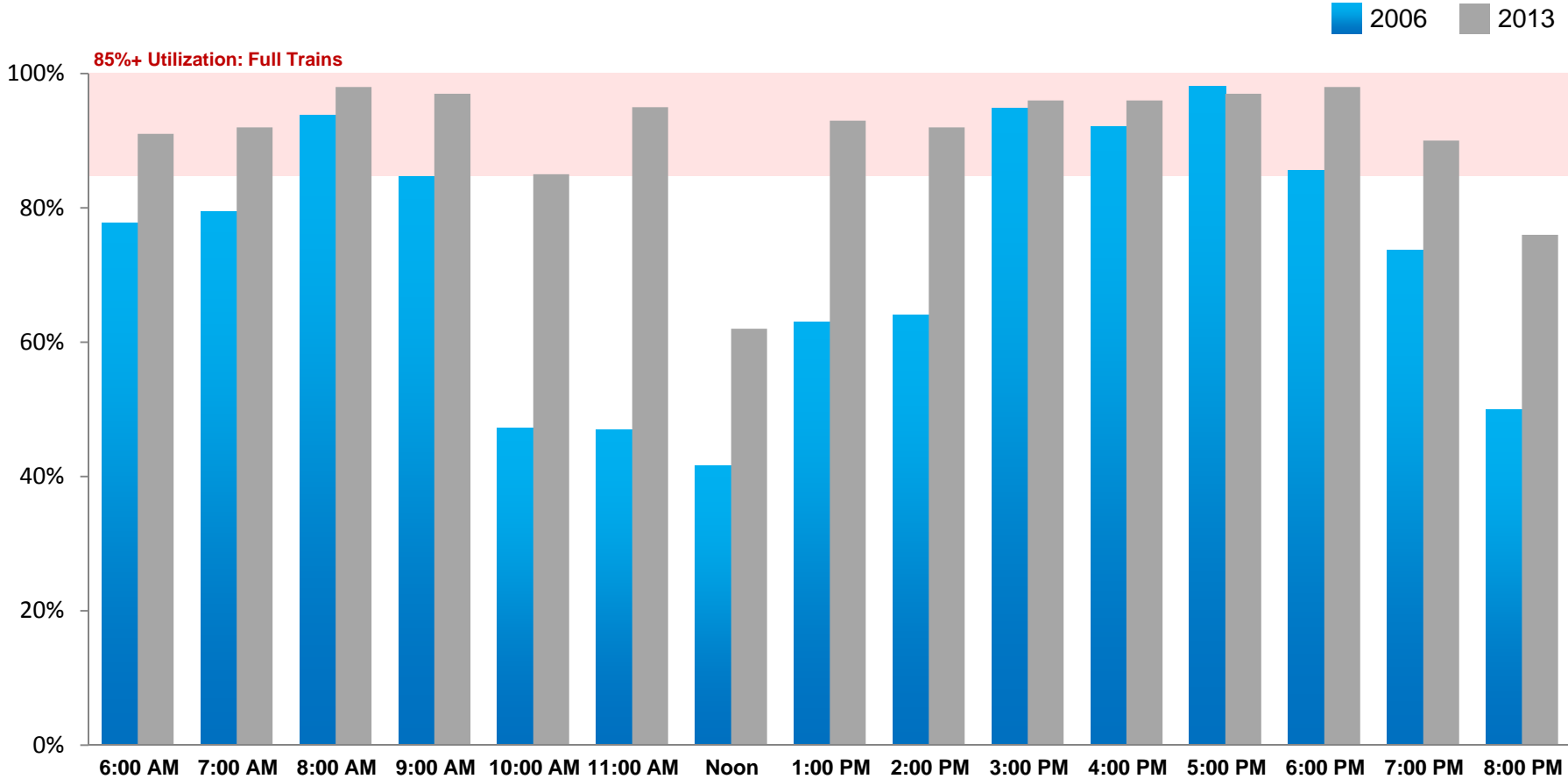
Northbound Trains

March Thursday WAS – NYP



Fewer Acela Options on Peak Days: 2006 – 2013

Southbound Trains
 March Wednesday NYP – WAS

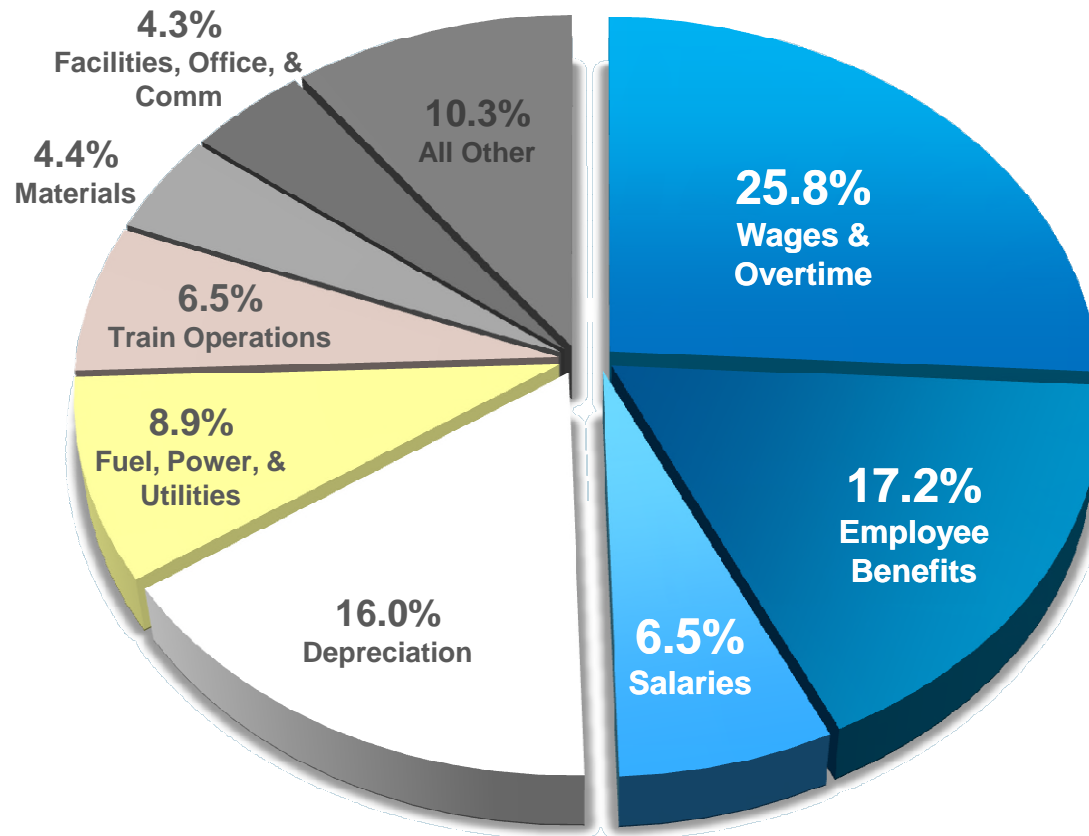


Amtrak's Current Financials: FY 2013 Preliminary Income Statement

	\$ millions	FY 2013
Revenue		
Passenger Related		2,366.7
Other Revenue		625.2
Total Revenue		<u>2,991.9</u>
Expenses		
Salaries		271.9
Wages & Overtime		1,078.3
Employee Benefits		716.2
Train Operations		272.0
Fuel, Power, & Utilities		370.5
Materials		185.1
Facility, Communication, & Office		181.0
All Other		1,098.2
Total Operating Expenses		<u>4,173.1</u>
Interest Expense		41.0
Net Operating Loss		<u>(1,222.2)</u>
Adjustments (non-Cash)		868.4
Adjusted Net Operating Loss		<u><u>(353.8)</u></u>

FY 2013 Expenses: Labor Costs Represent 50% of Operating Expenses

Preliminary FY 2013 Results



IV. Financial Projections & Budget Needs Moving Forward: FY 2014 – FY 2017

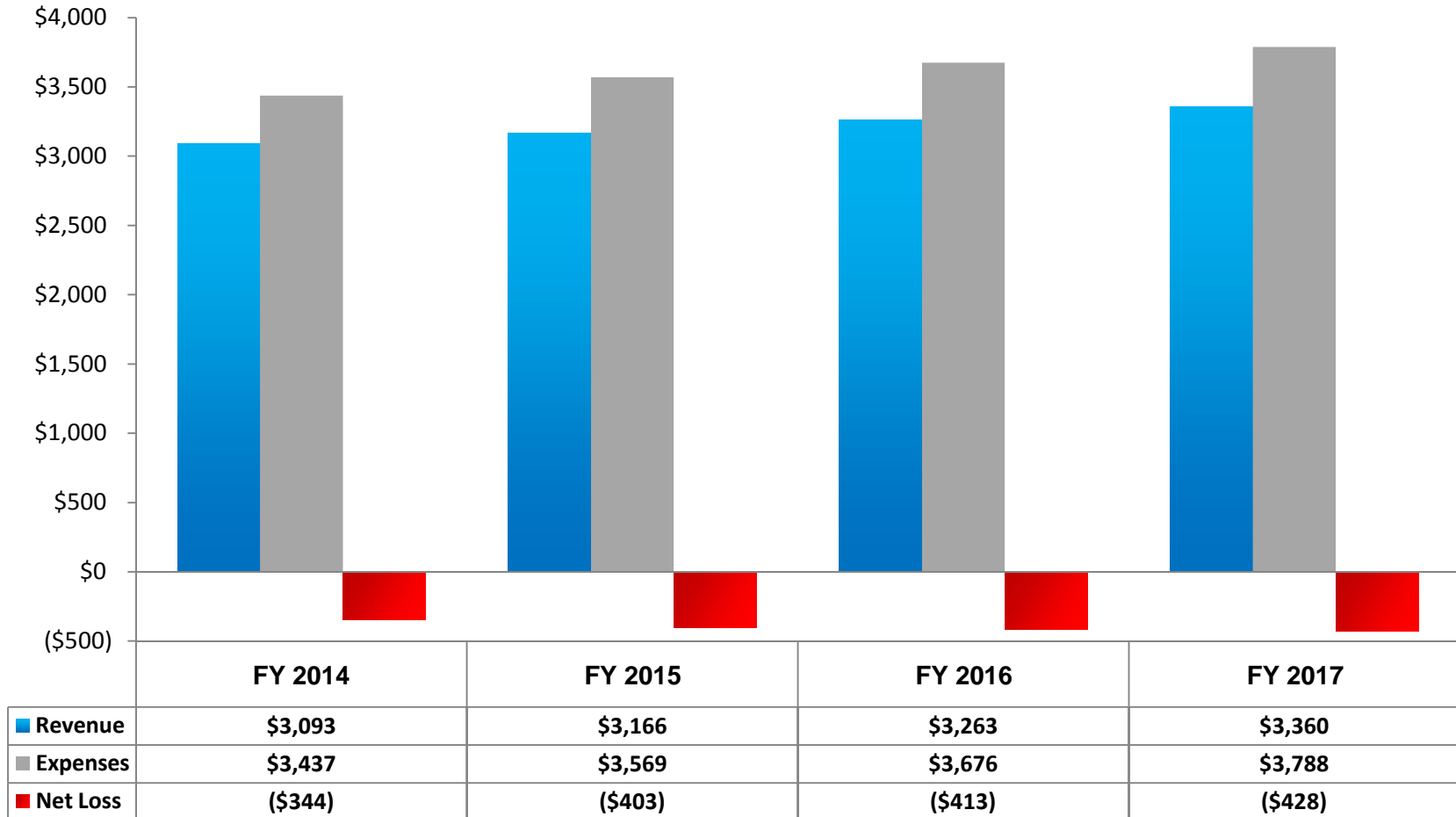
- Amtrak will continue operating at a loss
- Capital needs will continue to increase over the next several years
 - Without additional capital funding, Amtrak will not continue to decrease its operating costs and increase revenue
 - The State of Good Repair backlog on Amtrak-owned/operated NEC infrastructure is about \$5.8 billion in FY 2012 dollars
- Congressional funding is uncertain, but is not expected to increase
 - Even the proposed FY 2014 funding levels will leave a significant amount of critical backlog infrastructure undone

Economic Projections: FY 2014 – FY 2017

\$ millions	FY2014	FY2015	FY2016	FY2017
Revenue				
Passenger Related	2,530.2	2,626.9	2,711.9	2,797.4
Other Operating Revenue	562.6	539.4	550.7	562.5
Total Operating Revenue	3,092.7	3,166.3	3,262.6	3,360.0
Non-Operating Revenue	39.0	32.5	32.5	32.5
Total Revenue	3,131.7	3,198.8	3,295.1	3,392.5
<i>Ridership (millions)</i>	<i>31.6</i>	<i>32.0</i>	<i>32.3</i>	<i>32.7</i>
Expenses				
Salaries	301.0	307.8	318.2	329.0
Wages & Overtime	1,110.9	1,125.5	1,153.0	1,182.5
Employee Benefits	702.0	787.1	818.7	854.5
Train Operations	295.6	292.7	303.5	314.7
Fuel, Power, & Utilities	380.6	390.4	407.0	424.1
Materials	205.4	207.7	211.7	215.6
Facility, Communication, Office	173.6	176.8	178.8	180.9
All Other	1,105.7	1,127.7	1,135.1	1,142.5
Total Operating Expenses	4,274.8	4,415.6	4,525.9	4,643.7
Interest Expense	60.6	79.9	79.9	79.9
Net Operating Loss	(1,203.6)	(1,296.6)	(1,310.7)	(1,331.0)
Adjustments (non-Cash)	859.5	894.1	897.7	902.6
Adjusted Net Operating Loss	(344.1)	(402.5)	(413.0)	(428.4)

Projected Financials: FY 2014 – FY 2017

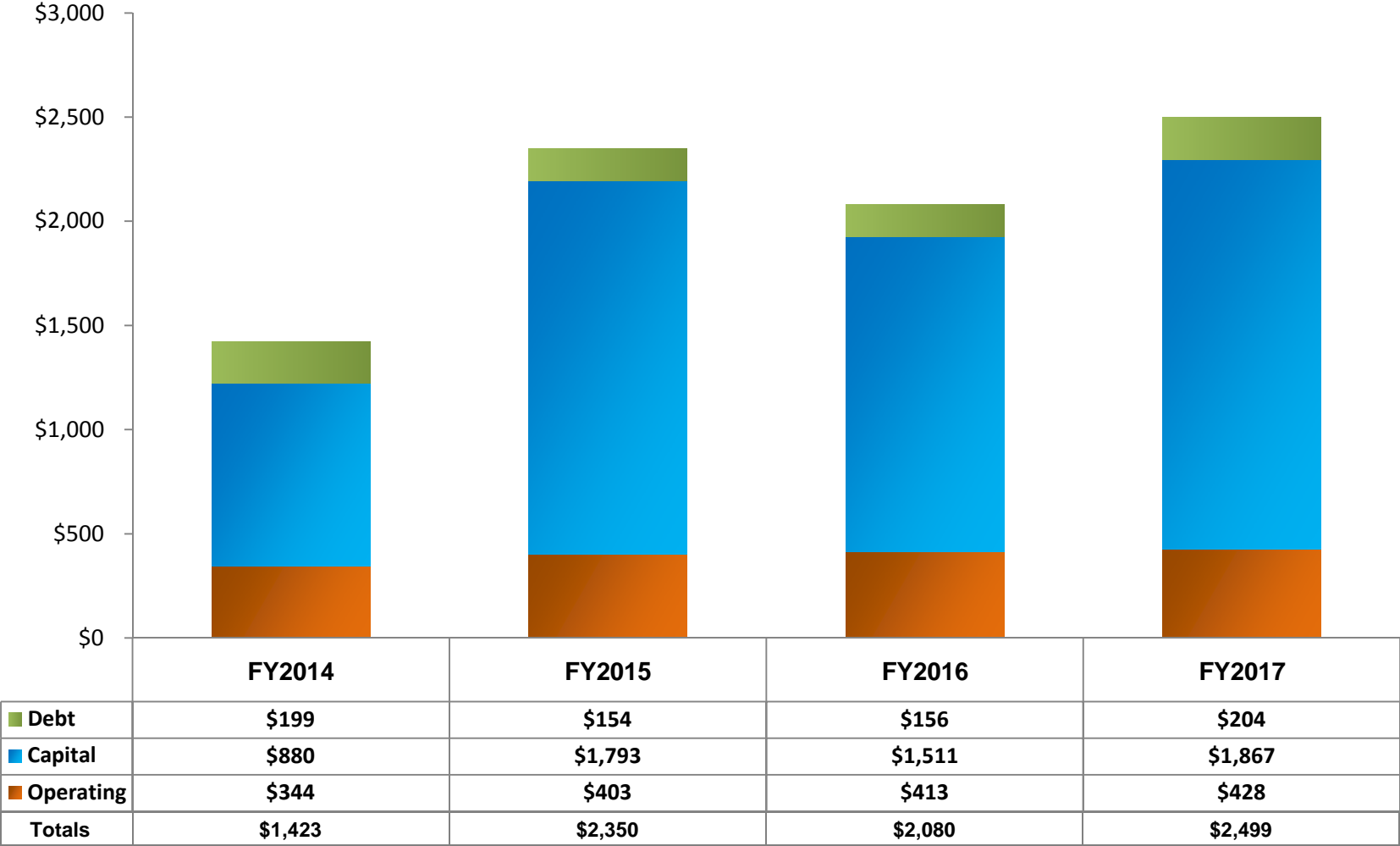
Projected Operating Results In Millions



Funding Outlook: FY 2014

- House Committee approved bill on June 27, 2013
 - \$950 million
 - \$350 million operating
 - \$600 million capital/debt
- Senate Committee approved bill on June 27, 2013
 - \$1.452 billion
 - \$390 million operating
 - \$1.062 billion capital/debt
- House and Senate are \$92 billion apart on FY 2014 appropriations
 - Debt limit unpredictability
 - CR Funding
- FY 2014 funding is expected to be lower than FY 2013 funding

Projected Federal Appropriations Need: FY 2014 – FY 2017



Capital Needs

- Capital needs will continue to increase over the next several years
- Capital projects are heavily concentrated in the Northeast Corridor
 - Construction of Portal Movable Bridge (NJ)
 - Replacement of 30th Street Station Façade
 - Hanson Interlocking Civil Work
 - Delaware DOT 3rd Track Civil Work
 - Springfield Line 2nd Track Project
 - Platform Projects
 - Expansion of High Speed Rail facilities
 - ADA modifications
- Planned capital projects rely on the work of BMWED and BRS
 - Since January 2008, the number of BMWED positions has grown by 30%
 - Since January 2008, the number of BRS positions has grown by 23%

V. Cost of Labor Proposals

- Despite economic challenges, the Amtrak pattern is made up of reasonable deals that exceed many public and private settlements
- The Amtrak pattern provides wage increases at substantial costs to Amtrak
 - These costs would increase substantially if PRLBC's wage proposal were applied without healthcare or work rule offsets
- Would result in ongoing structural costs in subsequent years

Cost of Labor

Cost of a 1¢ Wage Increase		With RRTA (+20.25%)
BMWED	\$52,864	\$63,569
BRS	\$18,954	\$22,792
Interest Arbitration Unions Total	\$71,817	\$86,360
All Settled Unions	\$344,034	\$413,700
Total Cost of a 1¢ Wage Increase	\$415,851	\$500,061

Cost of a 1% Wage Increase		With RRTA (+20.25%)
BMWED	\$1,452,129	\$1,746,185
BRS	\$540,460	\$649,904
Interest Arbitration Unions	\$1,992,589	\$2,396,089
All Settled Unions	\$9,828,141	\$11,818,339
Total Cost of a 1% Wage Increase	\$11,820,730	\$14,214,427

Amtrak Pattern Wage Increases Will Cost \$579 Million from FY 2010 – FY 2015

<i>\$ Millions</i>	Operating			Capital			Amtrak Total		
	Wage/OT	RRTA	Total	Wage/OT	RRTA	Total	Wage/OT	RRTA	Total
GWI cost FY10 (begin July)	\$3.5	\$0.7	\$4.2	\$0.7	\$0.1	\$0.9	\$4.2	\$0.9	\$5.1
GWI cost FY11	29.7	6.0	35.8	4.1	0.8	4.9	33.8	6.8	40.6
GWI cost FY12	56.1	11.4	67.5	5.4	1.1	6.5	61.6	12.5	74.0
GWI cost FY13	86.8	17.6	104.4	9.1	1.9	11.0	95.9	19.4	115.4
Actual Cost of GWIs through FY13	\$176.2	\$35.7	\$211.8	\$19.4	\$3.9	\$23.3	\$195.5	\$39.6	\$235.1
GWI cost FY14 - Projected	116.1	23.5	139.7	11.6	2.4	14.0	127.7	25.9	153.6
GWI cost FY15 - Projected	143.8	29.1	172.9	14.4	2.9	17.3	158.2	32.0	190.2
Projected Cost of GWIs FY14-FY15	\$259.9	\$52.6	\$312.6	\$26.0	\$5.3	\$31.3	\$285.9	\$57.9	\$343.8
Total cost of GWI in FY10-FY15 Contracts	\$436.1	\$88.3	\$524.4	\$45.3	\$9.2	\$54.5	\$481.5	\$97.5	\$579.0

Gross wage increases in the FY 2010 – FY 2015 contracts will cost Amtrak \$579 million over the five-year period in increased wages and RRTA

Cost of Retroactive Pay for BMWED and BRS if Amtrak Pattern Applies (through April 1, 2014)

	BRS	BMWED	Total
Total Unsettled Retroactive Pay*	\$13.9M	\$37.3M	\$51.2M

Total Unsettled Retroactive Pay	Capital Budget	Operating Budget	Total
BMWED	\$13.6 M	\$23.6 M	\$37.3 M
BRS	\$3.2 M	\$10.7 M	\$13.9 M
Total	\$16.8 M	\$34.3 M	\$51.2 M

*Retroactive pay amounts do not include the lump-sum payment

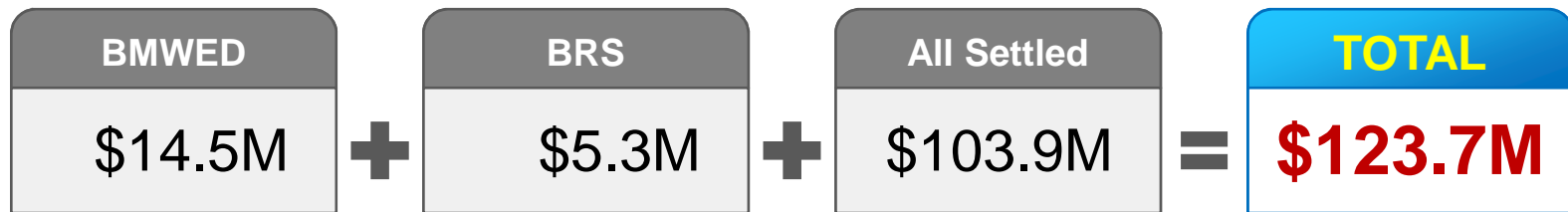
Total Unsettled Retroactive Pay as of April 1, 2014 = \$51.2 M

Cost of Wage Proposals Applied to BMWED and BRS

Amtrak Pattern	BRS	BMWED	Total
Through January 1, 2015	\$19.2 M	\$51.8 M	\$71.0 M
Through December 31, 2015	\$27.9 M	\$75.0 M	\$102.9 M

PRLBC Proposal	BRS	BMWED	Total
Through December 31, 2015	\$33.2 M	\$89.5 M	\$122.7 M

Total Additional Cost to Amtrak of Breaking the Amtrak Pattern



Note: All costs include RRTA

Total Additional Cost to Amtrak of Breaking the Amtrak Pattern

	BMWED	BRS	All Settled	TOTAL
GW	\$13.2M	\$4.9M	\$94.1M	\$112.2M
Lump Sum	\$1.3M	\$0.4M	\$9.8M	\$11.5M
	\$14.5M	\$5.3M	\$103.9M	\$123.7M

$\$14.5M + \$5.3M + \$103.9M = \$123.7M$

Note: All costs include RRTA



Summary

- Amtrak is financially dependent on Federal capital, debt, and operating subsidies
 - This funding is unpredictable
 - Amtrak has substantial capital needs
- Amtrak's current financial situation is stable, but challenges remain
 - Amtrak will stop realizing new benefits from increased ridership because of capacity constraints
- The Amtrak pattern added substantial costs, which will have a significant impact on Amtrak's financial situation
- Wage increases consistent with the PRLBC proposal would add even greater costs, especially if applied for all other crafts
- Any additional wage increases beyond the Amtrak pattern must be offset with savings from healthcare and work rules

Exhibits

Exhibit No.	Document
700	Testimony of DJ Stadtler
701	Donald Stadtler Curriculum Vitae
702	April 11, 2013 Testimony of Joseph H. Boardman Before the House Transportation and Infrastructure Subcommittee on Railroads, Pipelines, and Hazardous Materials Hearing: “Amtrak’s Fiscal Year 2014 Budget: The Starting Point for Reauthorization”
703	Public Law 112-55, Consolidated and Further Continuing Appropriations Act, 2012 (Section 153)
704	March 11, 2013 Letter to Congress re: Waivers Permitting Amtrak Employees to Earn Overtime in Excess of the Congressionally-Mandated Level of \$35,000
705	May 30, 2013 Amtrak Letter to Congress re: Waivers Permitting Amtrak Employees to Earn Overtime in Excess of the Congressionally-mandated Level of \$35,000 for the Three Month Period Beginning on January 1 and ending on March 31, 2013
706	October 8, 2013 Amtrak Letter to Congress re: Waivers Permitting Amtrak Employees to Earn Overtime in Excess of the Congressionally-mandated Level of \$35,000 for the Six Month Period Beginning on January 1 and ending on June 30, 2013
707	October 28, 2013 Testimony of Joseph H. Boardman Before the Senate Committee on Commerce, Science, and Transportation Subcommittee on Surface Transportation and Merchant Marine Infrastructure Safety and Security Hearing: “Power Outage on Metro-North’s New Haven Line: How to Prevent Future Failures Along Passenger Rail’s Busiest Sector”

Exhibits

Exhibit No.	Document
708	Public Law 110-432, Rail Safety Improvement Act of 2008, Division B – Amtrak, Title II Amtrak Reform and Operational Improvements
709	March 10, 2009 – Federal Railroad Administration Overview, Highlights and Summary of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA)
710	Amtrak’s FY 2011 General and Legislative Annual Report to Congress
711	Amtrak’s FY 2012 General and Legislative Annual Report to Congress
712	Amtrak’s FY 2013 General and Legislative Annual Report to Congress
713	October 14, 2013 Amtrak News Release: Amtrak Sets Ridership Record and Moves the Nation’s Economy Forward
714	Amtrak’s FY 2014 General and Legislative Annual Report to Congress
715	May 2013: Amtrak FY 2014 Budget Request Justification: Operating, Capital Programs and Debt Service Expense