Strategic Plan
FY2014 - FY2018

Moving America where it wants to go.
President and CEO Joe Boardman stands by one of the new Amtrak ACS 64 locomotives during an unveiling in Sacramento, CA.
# Table of Contents

- Letter from the Chairman .................................................................................................. 5
- Letter from the President and CEO .................................................................................. 6
- Notable Achievements ...................................................................................................... 7
- Executive Summary ........................................................................................................... 8
- Vision and Mission ............................................................................................................ 12
- Change Agenda ............................................................................................................... 13
- Values and Leadership Philosophy .................................................................................. 16
- Corporate Strategic Themes and Goals ............................................................................ 18
- Business Line Portfolio ................................................................................................... 24
- Corporate Strategy Management ...................................................................................... 30
- Corporate Strategy Map .................................................................................................. 31
- Appendix: Measure Definitions ....................................................................................... 39
INTRODUCTION AND EXECUTIVE SUMMARY

Chicago Union Station
Dear Colleagues, Stakeholders and Friends of Amtrak,

Throughout this company’s history, we have demonstrated that passenger rail fills an important need for the country, its residents and its guests. As the Chairman of such a wonderful organization, I am honored to present this strategic plan for America’s Railroad. I believe the objectives and strategies we have set for ourselves are the right choices to move Amtrak toward a future position of even greater value to all stakeholders.

First, I must acknowledge the dedication and hard work of the 20,000 men and women who make such a complex operation function 24 hours per day, 365 days per year. The many accomplishments Amtrak has made over its 42 years, and especially in the last decade, are a direct result of our commitment to providing safe, reliable transportation despite the many challenges we face. In my opinion, the company is stronger and has more momentum than at any other point in our history.

I believe we are on the verge of a new era of passenger rail in the U.S., and that Amtrak is leading the way. Our continued ridership records and improving financial strength are evidence that we are meeting market needs. And as we move forward, there will be opportunity to improve much more.

This document is intended to help Amtrak capitalize on those opportunities by charting a course to navigate the political, economic and social environment in which we do business. The foundation of this plan is our new Vision and Mission Statements.

The Vision we have set for Amtrak is, “Moving America where it wants to go.” It sounds simple enough, but I would ask you to consider the many deeper meanings behind this statement. First, it clearly states that we exist to serve the United States of America and all those who are within its borders. We do that by understanding where people want to go and offering market-competitive service that meets those needs. By moving people, we are connecting families, communities and economies to each other – and those collective connections are what make this the greatest nation on earth. What a wonderful purpose we have!

As we work to achieve this Vision, our Mission Statement defines the manner in which we will operate and what our priorities will be: “Delivering intercity transportation with superior safety, customer service and financial excellence.” Collectively and individually, it is the job of everyone with a connection to Amtrak to give our customers a travel experience that exceeds their expectations, while ensuring we have a safe operation and that we are continually building the financial strength of the company.

As you read this strategic plan, you will see that these themes of Safety and Security, Customer Focus and Financial Excellence are woven throughout everything we intend to do. I look forward to the years ahead and am confident we will make great strides together.

Sincerely,

Anthony Coscia
Chairman of the Board
Dear Colleagues,

You are reading this because you have a vested interest in the future of Amtrak and passenger rail in the U.S. Hopefully you share my belief that intercity passenger rail is critical to the future competitiveness of our great nation. Amtrak is part of the transportation system that provides the mobility and connectivity needed to drive the country’s economic growth; maintain its social and cultural fabric; and allow families to remain connected while pursuing opportunities and interests that take us farther away from each other physically.

Transportation in this country is at a critical junction. The need for improved transportation is growing with the population, yet investments are declining. Highways and bridges are crumbling, airports are at capacity and fuel costs continue to be unstable. Combine that with the unresolved debate among federal policymakers about the right path forward, and Amtrak’s future – along with others in the passenger transportation business – is at greater and greater risk.

Our circumstances are not unique. Healthcare, agriculture, energy and many other industries face similar challenges. Amtrak can go in one of two directions: we can continue to operate largely as we have for the past 42 years and suffer the consequences of an underfunded railroad, or we can choose to make bold changes in order to help shape our future and improve intercity passenger rail’s value as a national asset.

I believe we have an ethical obligation to choose the latter, and this strategic plan is a roadmap for doing just that. With your dedication and talent, I am very confident this plan will help us build on our success over the last 10 years, navigate the challenges and threats we still face, and ultimately ensure the future of our company and intercity passenger rail in the U.S.

You will see that this plan is not a departure from our strategy of the last two years, but rather focuses on what is most important in that strategy. Our Vision Statement is more direct and more succinct, and our Values and Leadership Philosophy are basically unchanged. The focus will be on three key themes in our strategic plan: safety and security, customer focus and financial excellence. All three relate to each other, and success in all three will provide the foundation to sustain Amtrak in the future. Everybody at Amtrak, whether you are a Lead Service Attendant on a long-distance train, an accountant in Finance, or are part of the executive team, must align our actions to support those three key themes.

Commitment to safety and security must be lived every day by everyone at Amtrak if we are to stay in business, and the financial bottom line is how we will be judged by both our supporters and our critics. Consistent, high-quality customer service every day, however, will be how we truly set ourselves apart from our competition. Everyone at Amtrak must understand that they are here to serve our customers, or support colleagues who serve customers. If we do these things really well, and do them as efficiently as possible, we can transform Amtrak into a world-class passenger transportation company.

A summary of our recent success, as well as more details on our future, are included in this plan. Please take the time to read it and think about your role in reaching our goals. I am committed to providing our employees the resources needed to achieve our goals, but the desire to make it work must come from within. If you want to be part of our future, keep reading.

Sincerely,

Joe Boardman
President and CEO
Amtrak has made significant progress in executing the 2011 strategic plan, which has laid the groundwork necessary to continue on our journey. Notable accomplishments over the last two years include:

- Expansion of Safe-2-Safer, our behavior-based safety program aimed at risk reduction. We have now established 28 Safe-2-Safer steering committees that have collectively reduced the risk of injury across the system by removing nearly 700 “safety barriers.”
- Completion of the operations reorganization, which will improve our responsiveness to customers and create more transparency to help us understand the costs and revenues that need the most attention.
- Development of a Total Rewards and Integrated Talent Management strategy that includes competitive compensation and benefits focused on developing, attracting and rewarding talent that best fits our strategy.
- Reengineering of the Information Technology department to be more focused on delivering value to our customers and to Amtrak.
- Improvement in our financial reporting and budgeting processes to ensure decisions align with our strategic plan.
- Launching a robust enterprise risk management system.
- Introduction of e-Ticketing to make traveling with us more convenient for customers.
- Purchase of 70 new locomotives for our Northeast Corridor services and 130 cars for our long-distance operations.
- Completion of numerous infrastructure projects throughout the Northeast and in Michigan to improve service and reliability.

These changes have delivered notable results. In recent years, we have:

- Improved our operating ratio from 117% to 113%
- Reduced our adjusted net loss from $446 million to $355 million
- Lowered our debt by $1.4 billion
- Improved our credit ratings (Moody’s: A1; S&P: A-)
- Increased annual ridership by more than 12% to nearly 32 million

These accomplishments are significant. They have resulted from leadership and teamwork throughout the organization and have created credibility with our stakeholders. They provide a foundation for this updated plan and our goals for the next five years.
Overview

Amtrak’s strategic plan is nearly two years old, and since its launch, we have learned much from our efforts to execute the plan. There have also been changes to the environment in which we operate and the challenges that we face. And, there have been changes in our Board of Directors and senior management. For all these reasons, it is important that we update Amtrak’s strategic plan at this time.

The FY11 - FY15 Amtrak Strategic Plan was a comprehensive look at Amtrak as we were implementing many of the far reaching provisions of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), participating in the implementation of the Administration’s High-Speed Intercity Passenger Rail Program, and enjoying several years of ridership and revenue growth. The plan articulated our corporate values, our leadership philosophy and the direction we wanted to go. After being on that journey for a couple of years, it is now time to take stock of our progress, apply the lessons we have learned, and make those course adjustments that will help us continue to move forward as America’s Railroad.

Updated Vision and Mission

The 2011 strategic plan presented a complex vision for the corporation that reflected the many things we do. One of the challenges of being Amtrak is that we have accumulated so many tasks and responsibilities over time that sometimes it is unclear what we need to focus on today. That was reflected in the 2011 strategic plan. We had five strategic themes (Safety and Security; Customer Focus; Mobility and Connectivity; Environment and Energy; and Financial and Organizational Excellence) seven strategies; numerous initiatives and dozens of performance measures to track. This complexity was reflected in our 61-word vision statement.

This update of the strategic plan for FY14 - FY18 will provide focus and clarity to where we are going as a corporation over the next several years.

In this simplified and more focused context our Vision Statement is:

Moving America where it wants to go.

Our Mission is:

Delivering intercity transportation with superior safety, customer service and financial excellence.
Corporate Strategic Themes and Goals

This five-year plan is designed to make progress toward our strategic goals that focus on three key themes:

1. Safety and Security Goal: Set the standard for safety and security in the transportation industry to ensure that every passenger and employee goes home injury-free every day.

2. Customer Focus Goal: To acquire and retain the most satisfied customers of any travel company in the world.

3. Financial Excellence Goal: To be profitable on an operating basis (as defined by our operating ratio) and be good stewards of capital in order to secure our long-term viability as a company.

These goals are highly integrated – we can’t be successful in one of these areas without being successful at all of them. We will measure our progress against each goal with the following performance metrics.

Corporate Strategy and Objectives

In order to reach the goals we have set for ourselves and achieve our Vision, we have developed a clear and focused strategy that consists of three major components:

1. Change Agenda – Our strategy begins by defining the specific changes we need to make in order to improve our overall performance. This “Change Agenda” serves as a compass for decision-making and future strategy formulation. (See Page 13)

2. Business Line Portfolio – We are making changes to the group of business lines we operate and have set a direction for the future growth and priorities for each. (See Page 24)

3. Corporate Strategy Map – In order to support the business lines and make the strategic shifts defined in our Change Agenda, we have created a Strategy Map that will be used across the company. It lays out how we will manage talent and technology, as well as defines specific objectives that will be priorities for investment and improvement. (See Page 31)
The *California Zephyr* is one of Amtrak’s 15 long-distance routes, providing daily service between Chicago, Denver and the Bay Area, as well as many other small and mid-size communities in between.
VISION, MISSION AND CHANGE AGENDA
**Vision**

*Moving America where it wants to go.*

This Vision Statement communicates what we aspire to do as a company in a concise and memorable way. When considered from different angles, this seven-word phrase communicates many different things about Amtrak and our purpose:

- We serve the United States of America, its people and its guests.
- Our job is to connect the communities and economies that comprise our nation.
- We are not just a railroad, we are a company that moves people.
- Amtrak responds to the market – as a business we must offer services that are in-demand and for which customers are willing to pay.

**Mission**

*Delivering intercity transportation with superior safety, customer service and financial excellence.*

Our Mission Statement clarifies how we will achieve our Vision. As a company and as individual employees, our job is to provide safe transportation in a manner that improves the company’s financial security while ensuring that our customers have a consistent, high-quality travel experience.
Strategy for any organization is about focus and change. A sound strategy begins with understanding the internal and external forces that impact the organization’s ability to achieve its most important goals, then systematically making the changes necessary to navigate those forces.

In response to the challenges and opportunities outlined in this plan, a cross-functional team developed the following Change Agenda as an articulation of the changes we intend to make over the coming five years. Amtrak has made considerable progress in many of these areas in recent years, and progress must continue.

The plan that follows was created to implement these changes, which we believe will result in the ability to achieve our Vision.
Amtrak is committed to American veterans and their families by participating as a partner in the United States of America Vietnam War Commemoration, by setting recruitment goals for veterans and by showing our gratitude with a locomotive dedicated to the men and women of the United States Armed Forces.

The Veteran’s Locomotive features a red, white and blue paint scheme, 50 stars and a specially designed logo with military service ribbons. Locomotive #42 was painted at our facility in Beech Grove, IN.
VALUES AND LEADERSHIP PHILOSOPHY
Values and Leadership Philosophy

The following set of beliefs represent the culture we are creating in order to achieve our vision and accomplish our strategic goals. They should guide the decisions each employee makes every day on our trains, in our offices, in our mechanical shops and at our construction sites.

Amtrak’s Values and Leadership Philosophy encompass three key areas:

1. The Team We Build
   Amtrak is committed to seeking out, hiring and promoting those people who embody the characteristics necessary for high performance. Individual behaviors that Amtrak values in its employees are:
   
   • **Commitment to Safety** – The understanding that the health and personal well-being of co-workers and customers come before all else.
   
   • **Integrity** – The resolve to do the right thing for Amtrak, for one’s colleagues and for one’s customers even when no one is looking.
   
   • **Spirit of Service** – The best way to lead is to serve. Amtrak seeks out and rewards employees who demonstrate an understanding of our collective responsibility to serve customers, partners, co-workers and other stakeholders.
   
   • **Desire to Improve** – We expect our employees to constantly seek ways to improve as professionals and as leaders, and by doing so, improve Amtrak’s ability to achieve its goals.
   
   • **Respect** – The ability and self-control to recognize the value of every individual and treat them with dignity.
   
   • **Entrepreneurial Spirit** – A passion for seeking constant improvement and to capitalize on opportunities that help Amtrak achieve its vision and goals.
   
   • **Accountability** – The courage to take ownership of problems, mistakes, successes and failures is of great importance. The identification of problems is important at Amtrak — and the delivery of solutions is vital to our success.
   
   • **Humility** – Amtrak serves a national need, and our employees must have the humility to understand their role in a mission that is greater than any individual. No one person is more important than another, and no one person can do his or her job without the team around them.
   
   • ** Forgiveness** – We believe that good team members must have the ability to forgive each other. Mistakes will happen and unpopular decisions will be made, and we have to have the ability to move forward quickly and collegially.

2. The Culture We Maintain
   Just as important as the individual behaviors we seek in each other are the culture and environment in which we operate every day. We understand that our culture will either serve as a foundation for high performance or it will impede our ability to serve. This includes not only the way we interact with each other and our stakeholders, but also the structure, systems and policies we employ.
To cultivate an environment that allows us to perform at a high level, we are committed to the following principles:

- **Our Business is About People** – We don’t move trains, we transport people. Customer safety and satisfaction are our highest priorities.

- **Teamwork and Collaboration** – We believe that inclusion and collegiality are fundamental principles for high performance. Each individual must be empowered to influence change, and we are most effective when working together. Knowledge and information must be shared and leaders must make decisions in consultation with others.

- **Stewardship** – Amtrak understands the responsibility that comes with being entrusted with public resources, and we are committed to being good stewards of those resources.

- **Collective Success, Failure and Ownership** – All functions within the company are interdependent. It is impossible for any one person, group or department to entirely succeed or fail on its own.

- **Improvement is Never Risk-Free** – Amtrak values prudent business risk-taking in the name of higher performance. When risks are taken with the proper motives, mistakes are used as learning tools, not as a point for discredit or punishment. We encourage each other to try new things and challenge the status quo because that is the only way we can be better than we are today.

### 3. The Philosophy Behind Our Business

Amtrak seeks to provide safe, reliable, customer-focused and sustainable transportation options. We know that doing so requires a high-performing organization that is financially sound, innovative and offers employees satisfying work. We constantly seek to improve our performance by aligning our systems, processes, policies and technology around the following set of beliefs:

- **The Nature of People** – We believe that our employees want to do a good job. If their purpose and functions are clearly defined, if they are empowered, and if they are given the proper tools and knowledge, they will do excellent work without excessive supervision and external control. Motivation to perform at a high level comes from within and is cultivated by recognition, opportunities to grow and increasing challenges.

- **The Way We Work** – Amtrak believes that the best work is done and goals are reached when individuals operate within the organization in consultative, cross-functional teams. The job of managers is to promote collaboration inside and outside their teams and provide the right strategies, structures and systems to make these teams as efficient and effective as possible.

- **The Way We Lead** – The job of managers and supervisors at Amtrak is to make it easier for their employees to serve customers — both internal and external. Leading other people at Amtrak is not a right, it is a privilege that must be continuously earned by serving and mentoring others to help them grow, sharing information, providing respectful feedback and being accountable. While technical skills are important, they are only part of what makes a good Amtrak manager.

- **The Way We Manage Business Processes** – To achieve our goals, Amtrak must have sound and repeatable business processes that account for internal and external risks. Amtrak leaders and managers must monitor business processes and be proactive in identifying and managing any associated enterprise risks.
Based on the Vision and Mission we have established for Amtrak, as well as the challenges and opportunities we face, we have established a concise set of long-term corporate goals that serve as measurable signs of our progress.

Our corporate strategic goals focus on three strategic themes:

1. Safety and Security
2. Customer Focus
3. Financial Excellence

These themes are highly integrated – we cannot succeed in one of these areas without succeeding at all of them. Each theme has a goal that includes the performance measures through which we will determine our progress. These measures are listed below. With time and experience executing this strategic plan, some measures may be modified as we identify more effective ways to gauge success.

Safety and Security Goal: To set the industry standard for safety and security to ensure that every customer and employee goes home injury-free every day.

Our goal is that every Amtrak employee and every Amtrak passenger will go home at least as healthy, safe and secure as when he or she entered on duty or entered one of our stations. The same will be true of our neighbors, including those who live, work, travel or play near our right-of-way or any other Amtrak property. To achieve this goal we will continue to build our safety culture.
Customer Focus Goal: *To acquire and retain the most satisfied customers of any travel company in the world.*

As stated in our FY11 strategic plan, Amtrak aims to acquire and retain customers by responding to their wants, needs and expectations in order to improve their experience and maximize satisfaction. This applies to all of our customers. The easiest to understand are those who pay to ride our trains. In many ways the states that pay us to run short distance trains, and the Federal government that pays us to run long-distance trains and provides us capital for investment, can be viewed as both our partners in providing intercity passenger rail service and customers of special services they ask us to provide.

Our goal is that consumers who pay to ride our trains will appreciate the friendly, efficient and on-time service they receive and want to travel with us again. And they will tell their friends about the great experience they had traveling on Amtrak. Creating such customer satisfaction will increase demand for our service, increase customers’ willingness to pay, and ultimately help the corporation maximize revenue – a key component of reaching our financial targets.

We also have a goal to exceed the expectations of our state partners and the Federal government relative to the services we operate for them – to demonstrate that they receive value for each dollar they provide us, be it for our operations or for investment.

The challenge Amtrak has in improving customer service is not that we do not provide superior customer service, but that we do not provide it consistently. To achieve our customer service goal, we will focus on developing a culture aligned around meeting and exceeding customers’ needs, and expectations. We all need to recognize that if you work at Amtrak, you serve the customer or serve Amtrak colleagues that serve the customer.

Amtrak is evaluating customer service models to determine the one that best fits our values. We will measure how well we perform for travelers on Amtrak using leading indicators and outcome measures related to customer satisfaction. For the states, we will measure how we perform using the Partner Satisfaction Index.

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**Performance Measures**

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<td>Customer/Partner Satisfaction Index</td>
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<td>Ridership</td>
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Financial Excellence Goal: To be profitable on an operating basis and be good stewards of capital in order to secure our long-term viability as a company.

Amtrak is incorporated and required by law to be managed as a for-profit corporation, and continued improvements to financial outcomes is what defines successful for-profit corporations. We believe that by striving for the goal of creating operating profits, Amtrak creates the accountability and efficiency needed to fulfill our mission.

Of all the strategic goals, this is perhaps the hardest to achieve since it entails major changes to the way we manage the company and the way Amtrak is funded by the Federal Government. But like the other goals, it sets a high bar that will help keep us focused on those continuous improvements that will reduce our costs, increase our net revenues and show up as improvements to our financial bottom line.

For Amtrak, this goal means that we will seek to make an operating profit from all our services. Our goal is that revenues we receive from those who pay to ride our trains, those who pay us for transportation services, and from our other ancillary businesses, will exceed our operating costs and those operating profits will contribute to meeting Amtrak’s capital investment requirements. We will also earn a positive return on funds provided by others, such as the Federal government, for capital investment.

To achieve this goal we must all understand how what we do every day has an impact on our financial bottom line. We need to continually seek ways to become more efficient, to do more with less, and do it better. We need to be innovative and identify where we can offer our customers better value for which they are willing to pay. And we need to always be taking a hard look at what we do and ask ourselves the question, “Do we still need to do this to deliver superior service?”

We will measure how we perform using changes in Amtrak’s operating ratio – our operating costs divided by revenue generated from operations. This is the standard measure of efficiency in the rail industry and is important for discussions with the financial community.

We will also track our adjusted net income or loss. This is Amtrak’s overall “bottom line.” It also serves as a measure of how much Federal operating support we require and thus is important for discussions with the Administration and Congress on how well we are meeting their expectations.
Each year, President’s Service and Safety Awards are presented to employees and external partners who make outstanding contributions to Amtrak and its corporate goals.
New rolling stock for long-distance service is manufactured in Elmira, NY.
Business Line Portfolio
Amtrak has adopted a business line strategy and organizational structure. We will manage the business lines in order to generate the best outcomes for the corporation. Being selective about where and how to deploy people, time, attention and funding across business lines will be important to our success.

In developing this strategy, Amtrak conducted a thorough analysis that included internal and external factors impacting each business line, the market dynamics and competition of each business line, as well as trends in financial performance.

The notable change that resulted from our analysis is the decision to reduce the number of business lines from six to four. Our three core operating businesses – Northeast Corridor Operations, Long-Distance Services and State Supported Services – will continue as planned.

Our other existing business line, Northeast Corridor Infrastructure and Investment Development, will be re-chartered as a comprehensive Corporate Development business, charged with managing system-wide infrastructure, real estate and other corporate assets in order to maximize financial and strategic value for Amtrak.

The other two business lines established in our last strategic plan will be subsumed into other parts of the company rather than being stand-alone entities.
The success and development of this business line must remain a priority for Amtrak. Amtrak’s presence in the Northeast accounts for 37 percent of riders, 38 percent of total revenue and nearly all the corporation’s operating profit. Additionally, we enjoy the strongest competitive advantages in the Northeast. Maintaining current success of this business line, and leveraging our strengths and opportunities for growth, is the most critical element of Amtrak’s future viability.

Amtrak will continue to expand capacity in the short term by optimizing operations of the current infrastructure and acquiring new high-speed train sets. Marketing and revenue management will also play a key role in profit growth. Increasing demand by differentiating Amtrak service in order to generate the highest possible yields is a must.

As we analyzed our current business lines, we recognized the opportunity to make refinements that will better allow us to achieve the goals set out in this strategic plan. As part of the change, we will create a new Corporate Development business line.

A formal charter for the Corporate Development business line will be developed over the coming months. The mission of Corporate Development is to leverage Amtrak assets to gain strategic and financial value for the corporation, and our strategy is to invest in growth of this business.

Just like the operating business lines, Corporate Development will be managed as a business with its own income statement, and will be focused on maximizing the net returns to Amtrak. Real estate will provide the first part of Corporate Development’s business plan and financial statements, which will expand as the other aspects of this business line develop.
In many ways, Corporate Development is the embodiment of the provision of the law creating Amtrak which directs us to be managed as a for-profit corporation. At its core, Corporate Development will be entrepreneurial. We have tried entrepreneurial initiatives in the past. However, we have not done them in a comprehensive, proactive way to benefit Amtrak’s bottom line nor have we made a commitment to this activity that could be viewed as being on a par with the day-to-day operation of trains.

Real estate has been part of Amtrak’s lines of business since we acquired the Northeast Corridor (NEC) in 1976. While it has generated significant revenue over the years, its approach has been more tactical than strategic. Looking forward, we need now to look comprehensively at real estate assets and develop strategies that preserve what we need for operations and obtain value from the rest.

Similarly, Corporate Development will know what we do well by applying objective industry standards and know what opportunities there are to market our services and other assets. These assets may be products and systems we have developed that others can use, such as e-Ticketing. They can be our skills and the capability of our facilities to do things like locomotive overhauls for other railroads. Corporate Development’s activities might involve leasing equipment we own or control that is not presently required by any of our three operating business lines. And they can also include marketing the knowledge that we have gained from more than four decades of providing intercity passenger rail service under frequently difficult circumstances, which positions us to provide consulting services to government organizations and private enterprises.

Building on its entrepreneurial skills, Corporate Development will help develop strategies to attract capital for investments we need to make to realize the potential of our three operating business lines. This responsibility goes beyond our past practice of relying upon the Federal and state governments to provide us capital in the form of grants. The future requires us to develop approaches to partnerships and innovative financing to address such significant investment needs as the Gateway Project.

Flowing from its knowledge and familiarity with the best industry practices, Corporate Development will also have the program planning responsibility to ensure we are effectively using our capital resources. As an example, Corporate Development will develop the overall program plan to safely provide high ride quality on the NEC on a continuing basis. This program plan will then become the foundation of annual maintenance plans for the NEC, funded in part by Corporate Development’s ability to leverage these and other assets.

LONG-DISTANCE SERVICES

The Long-Distance Business Line represents the largest portion of the corporation’s operating loss, but perhaps the most attractive improvement opportunity. Approximately 15 percent of total ridership comes from long-distance trains, along with 19 percent of total revenue.

While revenues have grown by 15 percent over the last three years, expenses have grown even faster, increasing the net loss on long-distance service to nearly $600 million. With expenses outpacing revenue, we need to aggressively seek ways to reduce the net loss over both the short- and long-term.

One of the most important strategic shifts for this business line is to recognize that the Federal government, in addition to the traveling public, is both a strategic partner and a paying customer. The economics and consumer demand for long-distance train service do not make it possible to cover operating expenses solely
with ticket revenue – it could not exist without the Federal funding to keep it in operation. Therefore, Amtrak will aim to develop a relationship with the Federal government for the operation of the long-distance network similar to our relationship with States under Section 209 of PRIIA.

Rather than subsidizing Amtrak’s losses, we will advocate that the Federal Government pay Amtrak an agreed price to operate long-distance routes, just as it pays contractors to build military equipment or technology systems. Like any other federal contractor, money received from the government should be accounted for as revenue from a customer – not subsidy from a public entity. A shift to this type of relationship will fundamentally change Amtrak’s ability to plan and invest for long-term value like any other for-profit corporation and would end the cross-subsidization of these services by other Amtrak lines of business.

Regardless of whether or not Congress is open to exploring this change, Amtrak will continue to provide the highest possible value to taxpayers. Opportunities for cost reductions, more efficiency, revenue improvements and better service will be pursued via the new business line structure.

**State Supported Services**

The State Supported Services Business Line is very important to Amtrak’s future. It accounts for the highest percentage of riders (48 percent) and 23 percent of total revenue. The changes associated with Section 209 of the Passenger Rail Investment and Improvement Act of 2008 both increase Amtrak revenue from state contracts and place new expectations and demands for partnership, transparency and performance on Amtrak for these services. As structured, Section 209 still requires a contribution from Amtrak to the costs of these services, Amtrak can potentially break-even on such contracts, while providing significant cash flow and contribution towards shared costs.

To maintain its current customer base, the State Supported Services Business Line will focus on improving service to state partners. Amtrak has historically lacked the processes and management structure to quickly respond to state partners’ wants and needs on a consistent basis. The structure that is now in place should greatly improve responsiveness, but we will also create an “account management” function to provide states with a single conduit for all needs and issues. Additionally, Amtrak will work closely with state partners to establish mutual goals and performance outcomes.

The longer-term strategy for this business is to begin planning for the update of state funding agreements that takes effect in 2015, as well as finding a beneficial approach to PRIIA Section 305, which impacts fleet utilization. Addressing these legislative issues in order to make this a potentially profitable business is a top priority.

*The North Carolinian, a state supported train, passes through Raleigh, NC, headed northbound.*
Amtrak Cascades® operates between Vancouver and Eugene-Springfield, OR.
A conductor lifts tickets electronically from his iPhone on an Acela Express train.
To manage the execution of our strategy, Amtrak has developed a corporate Strategy Map, which represents how we intend to support the business lines and implement our Change Agenda. At a high level, the strategy consists of four major perspectives, each with specific objectives:

1. **Talent and Technology** – The foundation of Amtrak’s entire strategic plan is having an engaged workforce that works within a strategically designed organizational structure and is equipped with the skills and tools needed to carry out our mission.

2. **Strategic Improvements in Customer Service, Safety and Security and Financial Excellence** – By developing the talent and technology needed to drive competitive advantage, we will then be able to improve service and processes in very targeted areas.

3. **Customer Satisfaction** – The targeted improvements we will make are designed to exceed the expectations of each business line’s customers and drive customer satisfaction. Our focus is not only on exceeding expectations of passengers who ride our trains, but also the state, commuter and Federal agencies that pay us to operate services on their behalf.

4. **Financial Outcomes** – By driving customer satisfaction, we create greater demand for our service. Greater demand means more riders and higher revenue. Higher revenue, coupled with strategic improvements to reduce costs, gets us to our ultimate goal of reducing the operating ratio, improving our bottom line and freeing up funds for capital improvements.

As Amtrak has made progress on executing the previous strategic plan, this tool has been valuable in translating the various objectives and strategies into a single, cohesive illustration. The Strategy Map shows the cause-and-effect relationships of each objective.

Because Amtrak is a large and complex corporation with multiple business lines, functional departments and a variety of customers, this Strategy Map is by design a very high-level depiction of our strategic plan.
Corporate Strategy Map

Moving America where it wants to go.

Financial Goals

To ensure we meet our Financial Excellence

F1. Reduce our operating ratio and adjusted net loss.
F2. Maximize revenue.
F3. Minimize operating costs.

Customer/Partner Expectations

Customer Focus

C1. Travelers: "Meet my travel needs better than competing modes."
C2. Commercial Partners: "Give me high-quality, market competitive business services."
C3. State/Commuter Partners: "Provide competitive services for my contracted transportation needs."
C4. Federal Govt: "Offer high-value, cost-effective intercity transportation to the American public."

Safety and Security

S1. Deliver a consistent, high-quality customer experience that fulfills our brand promise.
S2. Grow a loyal, long-term customer base by targeting and acquiring new riders.
S3. Continuously improve our culture of safety and security.
S4. Drive productivity and quality through process improvement, and better project and program management.
S5. Secure financial resources needed to execute our Vision and Mission.
S6. Align the organization to drive business line outcomes.

Financial Drivers

F1. Maximize revenue.
F2. Maximize revenue.
F3. Minimize operating costs.

Talent and Technology

T1. Develop, acquire and retain talent in a best fit organizational structure that will deliver on our Mission.
T2. Enable talent with technology for productivity, agility and customer focus.

Amtrak Values

Commitment to Safety
Respect
Desire to Improve
Integrity
Entrepreneurial Spirit
Forgiveness
Spirit of Service
Accountability
Humility

Which drive

So we can execute our

Drive competitive advantage through people

We must instill them to

Our values are the bedrock of being a high-performance company
Each business line and support department will develop specific goals, measures and initiatives to execute its portion of the Amtrak strategy. There are eight key enterprise-wide objectives on Amtrak’s strategy map.

We believe that these strategic objectives, coupled with the business line strategies previously outlined, will allow us to reach our goals and ultimately deliver the financial results that will make Amtrak a sustainable organization capable of meeting our Vision and Mission.

**Strategic Objective T1: Develop, acquire and retain talent in a best fit organizational structure that will deliver on our Mission.**

In our previous strategic plan, Amtrak set out to implement modern best practices related to human capital management. Over the last two years we have made significant progress in this area. Moving forward, we must put our new capabilities to work so we have a workforce that is best equipped to execute this updated strategic plan.

Making this initiative especially critical is the fact that Amtrak projects to hire up to 4,000 new people over the next year due to retirements and other vacancies. This loss of skilled employees represents a challenge, but also an opportunity.

Our new Total Rewards and Integrated Talent Management Strategy offers leading edge benefits and professional development opportunities. Other efforts are ongoing to make Amtrak an employer of choice. We can use these new programs to attract people who believe in our values and have the skills needed to help Amtrak improve. A key component to this effort is not only ensuring we have the technical skills needed to operate a railroad, but also increasing the business acumen of our people so we can improve our financial performance.

It is critically important that all employees provide the leadership necessary within their sphere of influence to guide our organization. We will hire and develop leaders who are committed to our strategic direction, are focused on delivering the travel experience our customers expect, and know how their decisions impact our collective future.

This approach includes collaborating with our unions to ensure we are hiring and retaining customer-facing employees with personalities, attitudes and skills that fit our strategy. We will recruit employees who are intrinsically motivated to serve others. Our people must then be trained on specific behaviors and actions that drive customer satisfaction, then given the latitude to use their own judgment while being held accountable for their actions. Finally, this culture of service must be instilled and reinforced with appropriate systems and incentives.
Strategic Objective T2: Enable talent with technology for productivity, agility and customer focus.

In order to compete effectively, grow our business and improve customer satisfaction, our employees must have technology that provides quick access to information, is linked to critical processes and connects us to customers in a rapidly evolving market place. Information technology can also be leveraged to be more predictive and proactive so that we can provide a more safe and secure environment for our employees and customers.

Internally, our technology and systems must allow Amtrak to effectively and efficiently manage our assets across the business. This includes managing human capital assets, physical assets and information. Our approach will include consolidating systems and information to provide a validated, single source of data that is easily accessible for timely decision making.

Externally, our customers are relying more heavily on information technology to make purchasing decisions as well as to complete transactions. Customers desire real-time updates, more frequent communication and more rapid responses and resolutions to issues. Enabling our employees to better understand our customer needs, better match those needs to our assets and quickly provide services will improve customer satisfaction and allow us to grow our business.

Strategic Objective S1: Deliver a consistent, high-quality customer experience that fulfills our brand promise.

Over its history, Amtrak has launched multiple initiatives to improve customer service with varying degrees of success. Delivering a consistent, high-quality experience for our customers is critical to our success and we can never stop improving in this area.

Our strategy to create a customer-focused organization that truly differentiates Amtrak in a positive way is much more than a training program or goal-setting exercise. The first step in improving the customer service experience was to set up the business lines. We believe this structural shift will create an accountable organization that “owns” the customer experience for each of our customer groups. These business line teams will drive performance and change through a systematic approach to align our products, talent, culture and processes to deliver the ideal experience.

Innovative ways to add value for our customers must also be developed. This could include product changes and partnerships for ancillary services that improve the entire customer experience from booking to layovers to destination activities.
Strategic Objective S2: Build a loyal, long-term customer base by targeting and acquiring new riders.

Amtrak must begin targeting and acquiring new customers to ensure that demand continues to grow over the long-term.

Amtrak ridership across all business lines is heavily skewed toward older age groups. Building satisfaction and loyalty among our current customer segments will be key to maintaining the growth we’ve experienced in recent years. However, we must also appeal to a new generation of passengers to sustain the business.

Consumers who are currently between the ages of 18 and 34 will soon be entering their peak earning and traveling years. Research indicates that within the next 5-8 years, they will account for approximately half of all business travel, while Baby Boomers’ business travel spending will drop sharply.

This represents a prime opportunity for Amtrak because younger customers have considerably different wants, needs and desires related to travel – needs that Amtrak is uniquely positioned to meet in regards to domestic travel. These wants and needs include the preference for traveling in organized groups, using mobile devices for entertainment while on-board, and a higher desire for comfort and leg-room. We must communicate our ability to meet these needs better than competing modes and offer the supplementary services and features needed to build long-term loyalty to Amtrak.

Acquiring younger customers generates a higher customer lifetime value for Amtrak and ensures demand for service over the long-term. We will execute this strategy by better understanding what this market segment wants and needs across the travel experience (booking, on-board services, station amenities, etc.) and taking the steps necessary to deliver that experience.

In the near term, we must develop marketing efforts (messaging, media mix, loyalty programs) designed to acquire and retain customers in this segment. Reaching younger customers through the right sales channels is also important as research shows they are more likely to book travel using Online Travel Agencies as well as aggregators. Converting first-time riders into repeat customers must be a focus of our efforts.

Research Sources: Boston Consulting Group, Service Management Group and Barkley.
Strategic Objective S3: Continuously improve our culture of safety and security throughout Amtrak.

Since 2009, Amtrak has been shifting to a behavior-based safety process that is built on continuous risk reduction. Much progress has been made and we firmly believe this is the right approach to reduce injuries for both our customers and employees. Instilling such a culture means that regardless of function or rank, all employees base their day-to-day decisions and behaviors on whether or not they reduce safety risks.

As we continue this transformation, we will work with the Federal Railroad Administration, our safety regulator, and our industry peers to develop improved metrics that help us gauge our progress and make better decisions. Amtrak recognizes that in the past, traditional safety metrics used by railroads generally led to issues about reporting and made it difficult to know if any real progress was being made. To further improve, we must find better ways to identify and remove barriers to safety so we can reduce accidents and injuries.

Strategic Objective S4: Drive productivity and quality through process improvement, and better project and program management.

Our focus on operating efficiency is not confined to the operations department. The day-to-day operations of every business line, department and group within Amtrak must continually improve so that goals can be met at the lowest possible cost. Target areas include process improvements, optimizing service delivery, and efficiently using assets.

Whether it’s the way trains are serviced and turned in a major terminal or the process by which we recruit and select employees, we can find ways to improve our effectiveness. Inventory can be better managed to improve cash flow. Projects and programs must deliver the intended results on time and on budget, whether we are installing a new technology application or rebuilding a bridge. And those who work on and manage projects must be accountable for delivering on scope, schedule and budget.

Similar to our delivery of customer service, Amtrak has a range of quality when it comes to efficiency and productivity. Some parts of the company have adopted exceptional practices while others have significant room for improvement. Our focus over the next five years will be to consistently deliver a high level of operating efficiency and productivity. We will do so by implementing modern tools and best practices.
Strategic Objective S5: Secure financial resources needed to execute our Vision and Mission.

The availability and efficient use of investment dollars are critical for success in any capital-intensive industry, and this is especially true for railroads. The historic lack of financial resources for Amtrak has resulted in degrading fleet and infrastructure, higher operating costs and an inability to invest in projects that will improve our bottom line. To address this issue over the next five years, Amtrak will pursue a four-pronged approach:

1. Move toward a capital allocation process where investment decisions are made based on how projects impact strategic goals in combination with traditional financial measures of rates of return. By making decisions through these two lenses – financial benefit and strategic benefit – we will be better able to quantify for those who invest in Amtrak the value they get from their investment.

2. Engage the Administration and Congress in establishing a long-term, predictable source of capital funding as part of Surface Transportation Reauthorization.

3. Engage the Administration and Congress on how to make Federal credit programs responsive to Amtrak’s investment needs, where such investments generate sufficient cash flow to service the debt.

4. Selectively pursue opportunities to utilize innovative financing, private debt or public-private partnerships to fund high-return and strategically vital projects.

Strategic Objective S6: Align the organization to drive business line outcomes.

As outlined in our previous strategic plan, Amtrak has created business lines and integrated operating functions to better respond to customer needs and increase efficiency. The next phase of this evolution is to re-align the rest of the company so it is able to support the business lines.

This objective relates back to the idea that everyone at Amtrak either serves a customer – which may be the traveling individual or a commercial partner – or supports someone who does. Our business does not exist without customers choosing Amtrak over our competition, so we must ensure that our organizational structure, systems and people are all aligned to deliver value to customers.
In the back shops at Ivy City in Washington, DC, locomotives are maintained and prepped for their next trip on the rails.
Conductor Kurt Pipenhagen during one of his trips on the Hiawatha route from Chicago to Milwaukee. This photo is part of a collection of images being used in our awareness and corporate messaging campaign. In the collection, business owners, employees and travelers are featured to show that Amtrak is “Built to Move People and So Much More.”
**Measure Definitions**

**Adjusted Net Income/(Loss):** This number represents Amtrak’s bottom line. It is calculated as total operating revenue (excluding state capital payments) minus total operating expenses (excluding interest, depreciation, other post-employment benefits, OIG operating costs and project-related costs).

**Customer Satisfaction Index:** The percentage of randomly selected Amtrak riders who indicate they are “very satisfied” with their most recent Amtrak trip. Surveys ask riders to rate various aspects of their Amtrak experience (such as cleanliness, personnel, food, comfort and reliability) on a 0-100 scale, with 100 being the best possible score. Passengers who rate their overall experience an 80 or higher are considered “very satisfied.”

**Operating Ratio:** A measure of financial performance equal to operating expenses divided by revenue generated from operations. Operating expenses used in calculating operating ratio do not include ancillary business expenses, Amtrak capital costs or depreciation, non-cash other post-employee benefits and expenses that are funded by capital grants.

**Partner Satisfaction Index:** The percentage of Amtrak’s commercial partners (officials at state departments of transportation, transit authorities, etc.) who indicate they are “very satisfied” with the service Amtrak provides. Anonymous surveys ask partners to rate various aspects of Amtrak service (such as responsiveness, effectiveness, quality, etc.) on a 0-100 scale, with 100 being the best possible score. Partners who rate their overall service an 80 or higher are considered “very satisfied.”

**Passenger Injuries per Million Riders:** A ratio used to measure the frequency of passenger injuries. Calculated as the total number of reportable passenger injuries as defined by the Federal Railroad Administration divided by the total millions of riders. Injuries include on-board incidents as well as non-trespasser injuries on railroad property (Class D). This includes injuries that occur on platforms, in stations, in parking lots and non-trespasser strikes on the railroad.

**Peer Observation Rate:** As part of Amtrak’s Safe-2-Safer program, trained employees conduct systematic peer-to-peer safety observations. They monitor each other working for a brief period of time and assess certain activities and behaviors to determine whether or not the employee is at risk of injury. The observing employee then provides feedback to his or her peer on how they could reduce their risk of injury. These observations are proven to reduce injuries over time. The observation rate is defined as the number of observations per month within a specific group (such as a Mechanical facility), divided by the population of that group. If 50 observations were conducted in a month at a facility with 100 employees, that would equal an observation rate of 0.5.

**Ridership:** The total number of trips taken on Amtrak trains in a given period of time. Ten customers taking one trip each would count as ridership of 10. Conversely, one customer taking 10 separate trips in the given time period would also count as ridership of 10.