Thank you for having me here this morning. I appreciate the chance to testify before the Committee on the topic of Amtrak’s strategic plan and reorganization.

I came to Amtrak in 2008, after more than a decade of experience with the company – first as the New York State Transportation Commissioner, then as the Federal Railroad Administrator. I’ve worked in transportation since I was in college, and much of that time was spent turning around organizations that needed to change. That’s a process that demands a lot of attention, and it’s a lot like medicine – you spend a lot more time on the diagnosis than you do in surgery. There were some things that were right with Amtrak, and there were some things that needed work, too, and from the beginning, we’ve devoted a lot of time to figuring out where we want to go, developing a strategy to get us there, and working carefully and diligently to change our organization so that we can realize our goals.

While there are still plenty of challenges ahead, the basics for success are definitely here, and Amtrak is doing well. We just set the ninth ridership record in the last ten years, and we posted record ticket revenues, too. We’ve broken out of the narrow band of 18-20 million riders that our company lived in for decades, and we carried 31.2 million last year. Better ridership has helped drive an improved financial performance, and if you look at our operating support numbers in terms of constant value, in FY 2013 Amtrak will be getting by with about half as much Federal support as it had in 2004. With modern passenger-friendly amenities like wi-fi and eTicketing, we have improved revenues and cut costs, and those will benefit us greatly in the years to come.

We’ve cut our debt in half and FY 2012 was the best year in our history for on-time performance – another key driver of both cost savings and ticket revenue. This is a product of a
lot of mutually supporting efforts – things like careful investment to ensure the resilience of our system, but also managerial efforts designed to attack persistent problems such as delays that are the product of failure to get the trains ready to go on time – which has been more than halved over the last six years, and today affects fewer than 2% of Amtrak trains. In 2011, our train operations recovered 79 cents of every dollar, turning in the best performance of any passenger railroad in the nation; when you include the revenues derived from other revenue sources such as real estate and commuter business, the number rises to 85%.

These are real achievements, and they allow us the stability and the resources we need to take on the next step, which is transforming the company so that it can continue to provide competitive and attractive transportation services in a world that’s changing rapidly. That means focusing on our customers – and we will do that by creating a strategy that prioritizes customer service and realigns the company to ensure our goals are understood and supported by capable and incentivized managers whose organizations are aligned to ensure that our people and resources are organized to deliver. When we’re done, Amtrak will look more like a business and less like a government agency – and customers will find that our system is easier to use, more convenient, timelier, and more comfortable. It will still be recognizably Amtrak – but it will be an Amtrak that defines its mission in terms of making customers happy, and on the bottom line, not just moving trains.

I realize that neither strategic plans nor reorganizations are new to Amtrak. You couldn’t miss it – when I took over, the “organization chart” was a 400 page document that reflected the way key functions had been chopped up, reunited, moved from here to there, and then joined up to something else. The complexity of the task meant that we had to move carefully, because a lot
of the key functions – the things that related to getting trains out every day – were misplaced, or poorly supervised, or split up between several different managers.

My goal has been to bring accountability and reliability to the organization, so that it can focus on the core of the business, which is serving our customers. To do that, we had to figure out not only where these processes needed to reside, but we had to convince the company that we were undertaking something fundamentally different. We initially approached the challenge not from the organization chart, but through the culture – and that’s what makes this organization fundamentally different from the ones that came before it. In those reorganizations, the goal was to move the functions around to address a perceived need; the effect on the culture was an afterthought. In our reorganization, we started with the culture, rather than the chart, because we wanted to make sure that we would make changes that will endure, and that will fundamentally transform the way people in our organization deal with one another. That’s a much bigger task, and it’s part of the reason why this transformation may appear to be time-consuming.

I think it was important for us to do this, because the culture of the company is built up through decades of accumulated experience and attitudes, some of which predate Amtrak. We can’t replace a culture or root it out, and there are some very positive aspects of the Amtrak culture, such as the dedication that kept our people working so hard during the recent “super storm Sandy.” But we need to work on the way we as managers are perceived to behave, and by doing that, inaugurate a real change in the way our employees see us. That changes expectations and ultimately, as the culture changes, it changes behavior. It’s a challenging goal, but when it succeeds, an organizational culture change produces the most worthwhile and enduring results.
That’s why one of our first efforts was the behavioral safety program we call “Safe-2-Safer.” We rolled this out on the system as quickly as we could implement it after I arrived, and it has two very clear, basic goals: one is to reduce the risk exposure our people face. The other is to teach people the basic behavioral techniques they will need to know to identify those risks, to communicate them to their colleagues, and to develop strategies to mitigate them. But behind these clear and immediate goals are other purposes that are meant to help us over the longer term. One is to give our people the skills they need to communicate and work in a more collaborative and less authoritarian fashion. Another is to build that sense of unity and team spirit that comes from working together toward a shared goal. The third is to make it clear to everyone that we care. The life, safety, health and welfare of every employee is an important trust, and we need to act and show that we care, so that our employees understand – and so that they, in turn, are motivated to act in the same way toward our passengers. We started the transformation process by improving safety, and before we’re done, we will have improved customer service, too.

Cultural change of this kind isn’t a simple or an easy process. It’s hard to envision, and it’s harder to explain, because it tends to come out in a score of individual anecdotes, rather than as a chart or a process with a clear beginning or end. But this kind of change is very important, because people see Amtrak through the prism of their individual experience, and that experience shapes their attitude toward the company and toward our passengers – in a word, our culture. And we want those attitudes to be as positive and responsible as we can make them, because engaged, effective and creative workers are at the core of the modern economy, and if we are going to keep up with the pace of change in the modern world, we are going to need a workforce
that knows it has a role to play and is willing to offer new ideas and new ways of improving our business processes.

Naturally, any process that’s designed to support that kind of development must be ongoing and continual. It started with the programs aimed at changing the culture, and it has progressed through the creation of a strategic plan. Now we’re in the process of aligning that corporate structure to execute our strategic plan. Our goal is an accountable organization that aligns managerial responsibility with incentives and measurable metrics to ensure people understand what they are expected to deliver, and that they have clear and quantifiable goals that let them know whether they have succeeded.

We created a strategic plan to outline our strategies for improving business performance and customer focus. This strategy explains Amtrak’s vision for an operation that will improve our service delivery, financial performance, and customer satisfaction. We intend to become America’s top intercity travel choice, and we will do this by building an organization that focuses our energies on the different customer travel markets and the operating characteristics of the individual services.

To realize this plan, we will need to change the corporate structure so that all of our resources are aligned to produce the results we want to see. The new structure won’t look like a traditional railroad structure, with the system organized in three or four rigidly separated “stovepiped” functions. It also won’t look like the idea of a completely decentralized organization, with a small corporate headquarters presiding over a handful of “mini-Amtrak.” What it will be is something very different – a modern “matrixed organization.” We will retain the traditional railroad technical functions, but their role will focus on setting standards and
managing system-wide assets, such as the mechanical backshops. The handling of the core business will be integrated, and the business lines, the technical organizations and the supporting departments will be aligned and incentivized to ensure they’re working together to help the company accomplish larger corporate goals, rather than as semi-independent fiefdoms.

Each of these general managers will be responsible for service delivery, but we will integrate the railroad functions so that they control everything they need to deliver the results they will be accountable for. They will have a “matrix relationship” to the technical organizations within the operating department and to the departments that will deal with vital core issues – ranging from marketing and services to budgeting and security. And because it’s not always possible to simply and easily divide up the resources that support specific business lines, general managers will be accountable for ensuring that the organizations they manage provide support to other components of the Amtrak system, even when they fall outside of the business line. The NEC General Manager will, for example, be responsible for terminal operations in New York – and that will include responsibility for ensuring that the long distance trains that start there get out of the terminal on time.

Currently, the various business lines are in the process of formation. We have formed the Northeast Corridor Infrastructure Investment and Development (NECIID) business line and the Corporate Asset Development business line is in development. The NECIID will manage the development of the Northeast Corridor, which is far and away Amtrak’s biggest and most important piece of infrastructure. Corporate Asset Development will work at finding opportunities for us to use the capacity that’s inherent in many of our key corporate functions –
our backshops and our highly skilled mechanical workforce, for example – to bring in work that we can do that will help improve the company’s financial performance.

The four railroad operations business lines that will report to the Vice President of Operations are in the process of formation. These include NEC Operations, state-supported services, long distance trains, and commuter services. We have found managers for the first three and are focusing on them first, as they are in many respects the core of our business and our Federal mandate. The commuter services will come next.

We are in the process of doing this carefully and deliberately, in line with the principle of the Hippocratic Oath: “First, do no harm.” We don’t have the luxury of shutting the place down for even a few days to reorganize – we have to maintain round-the-clock service in 46 states every single day, so we have to be careful we don’t disrupt the organization’s functioning. There’s not going to be a point when we flip a switch and the new organization lights up; it is going to be a progressive process, with opportunities for review and realignment to take the lessons we learn into account. It will be an iterative process.

This process does not have a clear end – but it does have a definite goal – and that goal is satisfying our customers. We serve a lot of different customers. Many are our passengers. Some are the states who contract with us for service. Others are commuter agencies and railroads that use our services or our infrastructure. We are making these improvements to serve them better, because we recognize that in a competitive environment, alternatives will arise if Amtrak does not act now to address their needs. In many places, the story of transportation in our lifetimes is one of contraction and reduction, as bus services leave town and subsidized air service is cut back or eliminated.
This decline in the competing modes has been one of the components of the growth in Amtrak ridership over the last decade. People are now coming to us – and the question of what they find when they come is of vital importance, because they come with a different set of expectations about travel. People now search for travel options and deal with transportation providers in ways that were unimaginable twenty years ago – let alone forty. They have high expectations when they travel, and we recognize that we must adapt to meet those expectations – and that if we don’t, other options will be forthcoming, one way or another.

At its core, Amtrak is a great policy solution – with a cost recovery of 85%, we provide some of the lowest-cost, most efficient intercity passenger rail service in the world. Our challenge is to continue to improve, so that we can deliver the technical improvements that allow prospective passengers to connect with us, the physical improvements to our stations and trains to make their journeys comfortable, and the customer service improvements we will need to satisfy them and earn their business.

Nothing that we’re proposing to do is simple – but it will deliver results. While the natural tendency is to focus on the changes to our organization and structure, those are ancillary changes. The real transformation must come in the organizational culture, particularly since the process of generational change is now underway. I believe this kind of thing is an imperative; we have a moral imperative to do whatever we can to help people learn to work in safer and more productive ways, and we have a business imperative to transform the company so it delivers better and more efficient service to our customers. We can do it, and we will – because we know how much is riding on this.