



Improved on-time performance could reduce Amtrak's costs, increase revenue, new OIG report finds

WASHINGTON – Improvements in Amtrak's on-time performance would result in millions of dollars in reduced costs and increased revenue, Amtrak's OIG said in a report released today.

OTP has been a longstanding challenge for Amtrak, according to the report. In fiscal year 2018, trains on state supported lines and the Northeast Corridor arrived on time 81 percent and 78 percent of the time, respectively. Amtrak's long-distance trains, however, arrived on time just 46 percent of the time that same year.

Using a statistical model to estimate short-term revenue opportunities and cost savings based on improved OTP, auditors from the OIG found that a five percentage point increase in OTP could result in net financial short-term benefits of \$12.1 million in the first year. These benefits would include \$8.2 million in reduced costs and \$3.9 million in increased revenue. According to the report, the \$8.2 million in cost savings included things like reduced labor cost for train crews, reduced fuel costs, and fewer hotel and food vouchers for passengers who miss connections due to poor OTP.

Over the longer term, auditors found that improving OTP on long-distance routes to 75 percent and sustaining that improvement for at least a year could allow the company to realize an estimated \$41.9 million per year in combined cost savings and revenue increases, and a one-time savings of \$336 million for reduced equipment replacement needs. For example, the OIG found that such an increase in OTP could allow the company to reduce the number of on-call conductors and engineers required to support train delays that cause crews to reach the legal limit of hours they can work in a single shift.

Additionally, significant and sustained improvements on long-distance routes could reduce crew penalties paid by Amtrak to its engineers when delays extend trips beyond six hours. Other savings could come from reducing the number of equipment sets used on routes with poor OTP, and eliminating some crew bases along long-distance routes, the report said.

The OIG also identified potential revenue opportunities on long-distance routes with significant and sustained improvements in OTP. For example, because of assumed poor OTP, the company does not sell tickets between Washington and New York on four northbound long-distance trains that operate through, but do not originate on Amtrak's Northeast Corridor. If improved OTP allowed such ticket sales, the company could achieve about \$2.3 million in additional net revenue a year. Additionally, improved OTP on the California Zephyr, City of New Orleans, and Empire Builder routes could allow Amtrak to eliminate schedule buffers – additional time added to schedules that help trains arrive on time. The OIG estimated that if Amtrak could

reduce the schedule buffers on these routes by 70 percent, the company could increase revenues by about \$7.2 million.

In fiscal year 2015, Amtrak developed two models to estimate the aggregate revenue and cost impacts of OTP. The company, however, no longer updates these models, officials stating they don't believe financial estimates, alone, are useful in improving OTP.

Because Amtrak does not fully and systemically measure the impacts of poor OTP, it has limited data to discuss OTP's financial consequences with stakeholders such as Congress and affected parties, the report said. As such, the OIG recommended the company update its models to improve reliability of its forecasts and use the models to develop more reliable estimates of the financial impacts of delays associated with various business activities.

More details are available in the full report, located on the OIG's website:

<http://go.usa.gov/xVSya>.

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