

U.S. Senate Committee on Commerce, Science, and Transportation

Nominations Hearing on September 7, 2022

Questions for the Record – Minority

Anthony R. Coscia to be a Director of the Amtrak Board of Directors

Ranking Member Wicker

Question 1: The Amtrak Inspector General has warned that Amtrak lacks the management capacity for capital projects necessary to implement the historic level of funding from the bipartisan infrastructure law. The Gateway Development Commission recently delayed the projected completion of the Hudson Tunnel project by another three years, with the expected cost rising to over \$14 billion as a result of market volatility and inflation. If confirmed again, will you engage with Amtrak executives and other stakeholders to ensure efficient project delivery and use of funding?

Response: *Congress passed historic legislation in IIJA, a long overdue investment in passenger rail. With that new funding comes a great responsibility. The Board is working with management to ensure we deliver capital projects in an efficient and effective manner and that the company be a good steward of taxpayer investment. I have always expected this of everyone at Amtrak during my Chairmanship and will note that we recently established a new capital delivery team to help implement IIJA. If confirmed, I look forward to continuing to deliver these important projects for the nation and the American taxpayer.*

Question 2: Please briefly describe your efforts as Amtrak Board Chairman to provide oversight of Amtrak's capital project management.

Response: *On the Amtrak Board, I am a member of the Audit & Finance Committee. The Committee regularly reviews and approves capital projects that management recommends to advance Amtrak's state of good repair as well as infrastructure development and improvements. It retains oversight over the integrity of the company's financial reporting and the company's compliance with financial and accounting requirements; the company's financial policies, strategies, and capital structure; and the company's processes for identifying and managing its enterprise-level exposures.*

During my tenure as Chair, Amtrak has made significant investments in business process automation to streamline and standardize capital planning, budgeting, forecasting, fund source management, and reporting. These improvements provide transparency and actionable feedback to the management team on the performance of capital projects. The company also established a roadmap of technology, process, and workforce enhancements to support rapid growth of the

capital project portfolio. As a part of the roadmap, Amtrak is implementing an enterprise project and portfolio management system to closely integrate project planning with project delivery and reporting. This system will allow the company to monitor and report on the financial performance of all federally funded projects, including those funded by IJJA, from inception through completion.

In addition to the process improvements and technology investments, the Finance Department established a robust capital portfolio governance structure (including Capital Project Portfolio Review, capital deep dives, and Board change request dashboard). This provides the company's management team and Board of Directors with visibility into capital portfolio performance trends and enables an executive decision-making process to continuously manage the company's capital portfolio in response to changing market conditions.

Following the enactment of the IJJA, the company's Finance Department established additional controls to ensure that all spending of IJJA funds is tracked and reported on timely and with full transparency. Periodic testing of IJJA-funded expenditures by the company's Internal Audit function will be performed. Reports on IJJA spending will be provided to the Audit & Finance Committee at each meeting.

As Chair I also created a new department responsible for delivering large-scale, complex projects as efficiently and effectively as possible, and in compliance with all safety, regulatory, program management, and reporting requirements. This was an important step in preparing the company for effective IJJA implementation as we begin to repair or replace aged assets, such as fleets, stations, and other rail infrastructure.

Question 3: Amtrak executive bonuses have been in the news recently. While incentives may be necessary to retain talented managers, they must also be measured and responsible given the substantial taxpayer subsidies Amtrak receives. Importantly, incentives must also be based on metrics that genuinely reflect the state of all Amtrak's service lines — without overlooking the long-distance backbone of the network. Will you commit to reviewing the metrics used for incentive payments and scrutinizing these bonuses for appropriateness, both in your current term of service and if confirmed again?

Response: *Yes, I absolutely commit to reviewing the metrics used for incentive payments and providing appropriate scrutiny in my current position and if confirmed again.*

Question 4: Please briefly describe your thought process in awarding executive incentive payments during your time as Amtrak Board Chairman, especially after the service reductions and challenges beginning in 2020.

Response: *At Amtrak, we know and understand that our workforce is a key factor to our success and that employee incentives are a valuable tool to recruit and retain the best talent. Congress expects Amtrak to improve service, increase productivity and maximize the use of our resources; Amtrak's incentive program for management employees supports achieving these outcomes. Without a competitive package, we will not attract the workforce we need to implement the IIA or to repair and modernize our rail network as Congress intended.*

Since 2013, when Amtrak closed its defined benefit pension plan to new employees and made other benefit changes, Amtrak has used incentive plans to recognize performance. Any incentives awarded since 2013 have been offset by the changes to our retirement plans, with estimated savings of over \$450 million.

A December 2021 OIG report on Amtrak staffing challenges recommended developing meaningful solutions to address competitive barriers to attracting executive talent. Amtrak agreed and hired a consultant to review executive compensation and incentives on an annual basis. Nearly 100% of the market (based on publicly available data for similar industry, revenue, employee size) offer incentive plans and our plans are competitive with market. The company has not made any incentive payments without first meeting its financial target, and both Amtrak and individual employees must meet corporate and individual performance goals in order to earn any incentives.

When the pandemic struck, Amtrak suspended our incentive program and implemented benefit reductions and mandatory pay cuts for management of up to 22% – expense reduction measures beyond what many public and private sector companies enacted to help sustain Amtrak during the pandemic. In fact, pay reductions for our executive team were larger and extended longer than our non-executive employees, with our top-level executives taking a 12-month reduction in base pay.

Question 5: Will you commit to working to restore Gulf Coast passenger rail service between New Orleans and Mobile as expeditiously as possible, if confirmed again?

Response: *I know how important this issue is to you and your constituents. If confirmed, I commit to working to restore Gulf Coast passenger rail service between New Orleans and Mobile. The people of the Gulf Coast deserve this critical service. It is a priority for me and Amtrak. I look forward to continuing to work with you and your staff to make it a reality.*

Senator Mike Lee

Question 1: If confirmed, what will your priorities be for Amtrak?

Response: *If confirmed, my first priority will continue to be ensuring management is providing a safe transportation option for its customers and employees. As a Board Member, I also have an important fiduciary responsibility to the company, its growth and well-being, and to ensure Amtrak is a good steward of taxpayer investment. Finally, I am committed to expanding intercity passenger rail service where it makes sense as part of ensuring the United States has a globally competitive, growth-supporting, opportunity-creating, efficient and sustainable transportation network for the 21st century.*

Question 2: Amtrak was created as a “for-profit” corporation, but it’s no secret that Amtrak (even before the COVID-19 pandemic) has struggled to bring in enough revenue to meet its operating expenses. Most recently, Amtrak’s FY 2022 Statement of Operating Revenue and Expenditures noted a planned deficit of around \$1.03 billion.

- *In your view, should it be the goal of Amtrak to be self-sustaining without the need for government subsidies? If not, why not?*
- *Should Amtrak continue unprofitable routes or services that are unsustainable or should Congress be responsible for funding unprofitable routes or services? If so, why?*
- *If confirmed, what solutions or proposals (outside of pursuing government funding) will you seek to close this deficit and restore fiscal responsibility?*

Response: *I believe passenger rail service is a necessary transportation option in this country, connecting many people in rural and suburban areas to the rest of the nation, and helping to support local and regional economies and businesses in a sustainable manner. Amtrak, through revenues and state support, was very close to breaking even on operating expenses at the beginning of 2020 and then the pandemic hit. We are still recovering from that significant loss but look forward to increasing our revenue each year going forward as we did leading up to 2020, as we also look to control costs and find new efficiencies.*

It is important to understand, however, that we do not aim to “break even” for the sake of doing so, but instead look to achieve the mission set for us by Congress as prudently as possible and with only the amount of taxpayer support required to do so. This approach allows us to focus on recovering as much of the cost of the system as reasonably feasible from the direct users and beneficiaries and allows us to reinvest more of the general taxpayer’s support into our capital needs. Capital needs are truly a significant portion of the cost of running a passenger railroad, particular a legacy system like Amtrak’s with decades of deferred investments and old and declining assets.

Once you factor in public investment in capital costs, no railroad in the world is truly profitable. Yet these systems create enormous value to the communities and societies they serve, which is why global investment in passenger rail is on the rise. As you know, nearly all modes of transportation receive some significant form of public investment, including highways, transit, and aviation. If confirmed, I would continue to ensure Amtrak is a good steward of taxpayer investment and that we run the business consistent with the mission and goals given to us by Congress.

Question 3: 49 USC 24305 gives Amtrak the discretionary authority to provide “food and

beverage service on its trains.” Recently, in Section 22208 of the IIJA Congress struck a revenue neutral requirement for the provision of such services.

- *Should Amtrak provide food and beverage service on its trains even if those services run a deficit? If so, why?*
- *Should the American taxpayer be on the hook for subsidizing any unprofitable food and beverage service on Amtrak’s trains?*

Response: *We aim to provide our customers with quality food and beverage services in a cost-effective way in support of our statutory mission and goals. Congress has made various directives related to food and beverage services over the years, and we will always follow the law and be good stewards of taxpayer investment. Most recently, the IIJA created Section 22208 to focus on customer experience across our network and establish a Food and Beverage Working Group to review our various services.*