Amtrak Food and Beverage Services and Section 209
*a business within a business*

Tom Hall
Chief, Customer Service
Food and Beverage – Who We Are

Goals:
• Develop and implement innovative dining and hospitality solutions that are valued by our customers and stakeholders.
• Be recognized as the leading dining and hospitality service provider in the passenger rail industry.

Primary Areas of Focus:
• Management and oversight of all aspects of the Managed Services contract, including procurement and catering functions as well as provisioning of all foodservice and customer support amenities in First class, Business class and coach services nationwide.
• Management of Amtrak’s 12 commissary facilities at 9 locations nationwide.
• Food and Beverage product development and management to support Amtrak’s NEC, State corridors and long distance services.
• Oversight and support of the food and beverage information systems (currently Eatec and Web based revenue collection).
F&B Is An Integrated Part of Our Product Offering

• Pillar of the Brand Architecture and customer experience

“Human, not cargo”
You can eat when you want, rest when you want, and decide how you’ll spend the time you get back

• On corridor service, the café car and the option of food service is a key differentiator from competing modes

• Even on corridor service, lack of food service can adversely affect ticket revenues

• In addition to Section 209, PRIIA requires Amtrak to improve Customer Satisfaction scores, including for food service
Net Loss Reduced from $92.4M in FY06 to $72.0 in FY12, a reduction of 22%

Comparative View – FY12 vs. FY06 Financials

<table>
<thead>
<tr>
<th></th>
<th>FY06 Revenue</th>
<th>FY06 Expense</th>
<th>FY12 Revenue</th>
<th>FY12 Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comm. Prov. &amp; Mgmt</td>
<td>$84.4</td>
<td>$88.3</td>
<td>$91.7</td>
<td>$113.2</td>
</tr>
<tr>
<td>F&amp;B OBS Labor</td>
<td>$96.3</td>
<td>$132.9</td>
<td>$113.2</td>
<td>$132.9</td>
</tr>
<tr>
<td>F&amp;B Revenue</td>
<td>$88.3</td>
<td>$180.7</td>
<td>$132.9</td>
<td>$204.9</td>
</tr>
</tbody>
</table>

Total: $88.3 $180.7 $132.9 $204.9
Food & Beverage and PRIIA Section 209

- F&B Revenue – credited to States
  - For NEC base-increment trains, revenue pro-rated at same % as supply expense

- Route Costs
  - OBS Crew – APT family 301_1
  - OBS Provisions – APT family 301_2

- Additives
  - OBS and commissary management and supervision – 10% of OBS Crew & Provisions
  - Consistent for all routes
  - Since additive is fixed, incentive for Amtrak to manage these costs

Source: Section 209 Final Policy
Food & Beverage Functions

• Commissary Operations Management
  – Warehouse Logistics & Inventory Control
  – Provisioning of all food service, feature cars, and special trains
  – ARAMARK/Amtrak Safe-2-Safer Program

• Culinary Development and Supply Chain Management
  – Supply Chain Management
  – Product Specifications and Product Preparation Standards
  – Product Mix / Menu Pricing
  – Development and distribution of printed collateral materials
  – Access to the Amtrak Culinary Advisory Team

Prominent well-respected chefs, restaurateurs, and authors who drive ideation and differentiate on-board menus.
Food & Beverage Functions

• Corporate Support
  – Business Planning and Contract Management
  – Business Analytics and Decision Support
  – Information Systems Support (WIMS/POS)
  – Regulatory Compliance – FDA, Amtrak Public Health, DOT, FMCSA, etc.
  – Facility and Asset Management
Amtrak Commissaries

- Boston
- Miami
- New York (Sunnyside & NYP)
- Sanford
- Seattle
- Chicago (Main & CUS)
- Washington (Ivy City & Union Station)
- Los Angeles
- Oakland
- New Orleans
- Miami
## FY2012 Food and Beverage Purchases by State

(Purchases of $1 Million or greater – in millions)

<table>
<thead>
<tr>
<th>State</th>
<th>Purchases</th>
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<tbody>
<tr>
<td>Illinois</td>
<td>$16.206</td>
</tr>
<tr>
<td>Maryland</td>
<td>$7.261</td>
</tr>
<tr>
<td>Virginia</td>
<td>$6.899</td>
</tr>
<tr>
<td>California</td>
<td>$6.385</td>
</tr>
<tr>
<td>Nevada</td>
<td>$4.757</td>
</tr>
<tr>
<td>New Jersey</td>
<td>$2.795</td>
</tr>
<tr>
<td>Washington</td>
<td>$2.725</td>
</tr>
<tr>
<td>New York</td>
<td>$2.574</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>$2.254</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>$1.922</td>
</tr>
<tr>
<td>Ohio</td>
<td>$1.809</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>$1.235</td>
</tr>
<tr>
<td>Texas</td>
<td>$1.227</td>
</tr>
<tr>
<td>North Carolina</td>
<td>$1.127</td>
</tr>
<tr>
<td>Washington, DC</td>
<td>$1.119</td>
</tr>
<tr>
<td>Florida</td>
<td>$1.063</td>
</tr>
</tbody>
</table>

These purchases are a subset of total Amtrak procurements by state.
ARAMARK – Our Partner in Commissary Operations

- 502 ARAMARK employees at Amtrak’s commissaries
- ARAMARK employs 250,000 people in 22 countries
- Over $2.5B in annual spend related to food and beverage
- ARAMARK serves 2 billion meals each year
- Numerous affiliations in F&B and hospitality industry that can be leveraged to Amtrak’s benefit
- ARAMARK provides food service in over 2,000 hospitals and senior living communities, and over 5,400 business dining accounts
Key Contract Provisions Between Amtrak and ARAMARK

- **Stock Ownership Model**
  - Amtrak owns the inventory throughout the process, and contractor has specific performance management goals (i.e. inventory turns, days of inventory on hand).

- **Management Fee Structure**
  - Management Fee is a fixed dollar amount with annual increases tied to CPI not to exceed five percent (5%) & a ten percent (10%) portion is placed “at risk” based on overall KPI performance

- **Incentive Structure**
  - Ten percent (10%) of annual Management Fee and linkage to overall KPI performance – paid quarterly.

- **Key Performance Indicators**
  - FDA & Public Health Inspections, Stock Costs Savings, Condemnange Savings and Inventory Control.

- **Term Of Agreement**
  - Five (5) years and nine (9) months with two (2), two (2) year extension periods.
Future View – FY13 - FY15 F&B Improvements

• POS
  – Records on board sales, spoilage and temperature monitoring data
  – Improves customer experience by eliminating paper-intensive LSA processes
  – Provides data for back-end auditing and reporting

• Food & Beverage Management System (FBS)
  – Provides database to track menu items, maintain product specifications and forecast food production quantities

• WIMS
  – Automates commissary inventory ordering and receiving
  – Tracks the provisioning and return-to-stock functions for trains
  – Provides a perpetual inventory value
Future View – FY13 - FY15 F&B Improvements

**POS: Enabling Transformation of F&B Management**

### Today

- **Sales Process:** Focused on managing on board inventory
- **Inventory Management:** Manual ordering, receiving and inventory management
- **Remittance:** Issuance of many debits and credits

![Image of manual inventory handling]

### Tomorrow

- **Sales Process:** Focused on sales and customer satisfaction
- **Inventory Management:** Automated ordering, receiving and inventory management
- **Remittance:** Data driven loss prevention plan

![Image of automated inventory system]

**DATA**
CSPMI Business Intelligence Application: Consolidates information from many sources and delivers new business insights

- **F&B Warehouse:** Inventory Data / Vendor / Purchasing
- **F&B Onboard:** Train Inventory / Usage by Departure & Employee
- **F&B Financial:** Costs / Selling Prices / Sales / Spoilage
- **Passenger Counts, Revenue, O/D, Class of Service**
- **On-Time Performance / Station Minutes of Delay**
- **Employee Hours Worked by Departure**
- **OBS Crew Schedules**
- **Customer Complaints & Praise**
- **CSI Scores**
- **Passenger Capacity / Equipment Type**

**LSA/Chef:**
- Performance: Sales, Spoilage, Backorders

**Warehouse:**
- PAR Fulfillment, Spoilage, Inventory, Return to Stock

**Sales:**
- Pricing, Margin Analysis, PAR Optimization

**Management:**
- Product Mix, Staffing Levels, Spoilage Analysis
Fresh Food Case Study

2011 Program

- Three different Vendors, wide disparity in quality, and customer acceptance:
  - Panache Creative Cuisine Sandwiches and Salads (Acela Café)
  - GateGourmet Flight Kitchen (NER - Regional Café)
  - Modified Atmospheric Packaging (MAP) Frozen Sandwiches (NEC - Off Corridor)
- 32 different SKU’s used to generate business and “inefficiency”
- Rotating cycles (2 or 3 week) were used to increase variety

2012 Program

- Panache Creative Cuisine program on all Café’s
  - Acela
  - Northeast Regional
  - Off - Spine
- 15 SKU’s consisting of best selling items have produced record revenue
- One continuous cycle

<table>
<thead>
<tr>
<th>January to June</th>
<th>2011</th>
<th>2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td># SKUs</td>
<td>32</td>
<td>15</td>
<td>-53%</td>
</tr>
<tr>
<td>Sales ($)</td>
<td>$1,046,167</td>
<td>$2,081,743</td>
<td>99%</td>
</tr>
<tr>
<td>Net Margin</td>
<td>$299,487</td>
<td>$790,042</td>
<td>164%</td>
</tr>
<tr>
<td>Margin %</td>
<td>28.6%</td>
<td>38.0%</td>
<td>33%</td>
</tr>
<tr>
<td>Spoilage Rate</td>
<td>22%</td>
<td>11%</td>
<td>-50%</td>
</tr>
</tbody>
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Significant improvement in revenue, net profit, and decreased spoilage compared to 2011 results.
How can we optimize F&B on your route?

• Improve food quality
  – Identify product mix that is highly valued, reflects the region, and is consumer relevant…

• Increase revenues
  – Continue to leverage the strength of national branded menu items to increase average spend and drive organic growth; DiGiorno, Sara Lee, Gatorade, etc.
  – Utilizing business analytics (CSPMI) and decision support modeling to drive targeted pricing actions and achieving 2% – 5% annual growth.

• Reduce costs
  – Standardizing where possible to enhance cross-utilization, minimize SKUs, take advantage of economies of scale, and enhance margin contribution.
  – Continue to analyze all menus to ensure targeted Cost of Goods Sold is maintained by category to achieve overall lower product cost for entire portfolio.
How can we optimize F&B on your route?

• Supply Chain Resources
  – Leverage ARAMARK’s $2.5B buying power
  – Participation in ARAMARK Buying programs
  – Access to ARAMARK Preferred Supplier Network
  – Access to consumer information (e.g. menu trends, brand preferences)
  – RFP Development
  – Development of printed collateral materials and the fulfillment thereof to field units

• Improve OBS Staff and Management Development
  – Development and implementation of a hospitality training program focused on frontline leadership skills, sales and service techniques, cooking, preparation and plating principles and controlling the bottom line.