

GAO

Briefing Report to Congressional Requesters

August 1986

AMTRAK

Planned Closing of the Jacksonville Reservation Sales Office



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United States
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Resources, Community, and
Economic Development Division

B-224122

August 29, 1986

The Honorable Orrin Hatch
Chairman, Committee on Labor
and Human Resources
United States Senate

The Honorable Paula Hawkins
United States Senate

The Honorable Charles E. Bennett
House of Representatives

On the basis of your separate July 1986 letters and subsequent agreements with your offices, we analyzed four areas relating to Amtrak's planned closing of its Jacksonville reservation sales office: (1) the alternatives to closing that office that Amtrak considered, (2) Amtrak's estimate of the expected savings from closing that office, (3) the productivity of the Jacksonville office and of Amtrak's four other reservation offices, and (4) expenses for the five offices. We briefed your offices on August 25 and 26 on the results of our work and, as requested, have summarized the information in this briefing report.

In summary, we found the following:

1. Amtrak officials told us that they considered alternatives to closing the Jacksonville office and one other office and based their decision on such factors as (a) most efficiently using equipment in the remaining offices, (b) affecting as few employees as possible, and (c) maintaining offices in different regions of the country. However, because Amtrak did not prepare a written comparison of the costs and benefits of the alternatives, we could not determine whether closing the Jacksonville office is Amtrak's best alternative for saving money. (See section 1 for additional details.)
2. Amtrak estimates that it will save about \$2.4 million annually by closing the Jacksonville office. Much of these savings appear reasonable from our analysis of

Amtrak data. However, some of these savings might have been achieved even without the consolidation. (See section 2 for additional details.)

3. The productivity of reservation offices can be measured in various ways. By some indicators, the Jacksonville office ranked first among the five offices for the first 9 months of fiscal year 1986; by other indicators, it ranked lower. However, these indicators do not reliably measure the efficiency of each office's employees because they are affected by such factors as the different types of calls the offices receive. (See section 3 for additional details.)

4. Wages and employee benefits accounted for about 66 percent of Amtrak's total costs for operating its reservation offices, and telecommunications accounted for about 29 percent. The remaining 5 percent of costs were for office expenses, utilities, and other expenses. (See section 4 for additional details.)

To answer your questions, we met with responsible Amtrak officials and examined data and documents provided by Amtrak. As agreed with your offices, we did not independently validate these data. We discussed the results of our analysis with Amtrak officials and incorporated their comments where appropriate. However, as requested, we did not seek agency comments on a draft of this report.

As agreed with your offices, we plan no further distribution of this briefing report until 7 days from the date of this letter, unless you publicly announce its contents earlier. We will then provide copies to Amtrak and make copies available to others upon request. If you have any questions on these matters, please call me at 275-7783.



Herbert R. McLure
Associate Director

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SECTION 1

THE BASIS FOR AMTRAK'S DECISION TO CLOSE THE JACKSONVILLE OFFICE

Amtrak officials told us that they considered alternatives to closing the Jacksonville office and one other office and based their decision on such factors as (1) most efficiently using equipment in the remaining offices, (2) affecting as few employees as possible, and (3) maintaining offices in different regions of the country. However, because Amtrak did not prepare a written comparison of the costs and benefits of the alternatives, we could not determine whether closing the Jacksonville office is Amtrak's best alternative for saving money.

As part of an overall effort to reduce its fiscal year 1986 operating costs, Amtrak identified the reservations function as a possible source of savings. Amtrak proposed to the union representing its reservation sales agents that it be able to hire new agents at all five offices to work part-time (all agents now work 8-hour shifts) and to work at lower wages (agents now earn about \$11 an hour). No agreement was reached, and Amtrak announced its intention to consolidate its reservation function by closing the two smallest offices--in Carle Place, New York, and Jacksonville, Florida. The three remaining offices are in Chicago, Illinois; Fort Washington, Pennsylvania (near Philadelphia); and Los Angeles, California. The Carle Place office was closed on July 3, 1986; the Jacksonville office is scheduled to close on September 4, 1986.

Amtrak officials told us that they did not explicitly estimate the costs and benefits of other alternatives--such as closing the Fort Washington, Chicago, or Los Angeles offices, while leaving Carle Place and/or Jacksonville open. However, they told us that, in reaching their decision, they considered

- most efficiently using equipment at the remaining offices;
- using available space at the Chicago, Fort Washington, and Los Angeles offices;
- affecting as few employees as possible;
- maintaining one office in each of three time zones, to help even out workload peaks;
- maintaining offices in different regions, to help assure good voice quality on telephone calls; and
- realizing near-term savings, due to lower training needs and relocation expenses.

SECTION 2

AMTRAK'S ESTIMATE OF SAVINGS TO BE ACHIEVED BY CLOSING THE JACKSONVILLE OFFICE

We found that Amtrak can expect to save money by consolidating its reservation offices. However, some of the savings might have been achieved even without such consolidation.

Amtrak estimated that it will save about \$2.4 million annually by closing the Jacksonville office. This estimate includes

--about \$1.289 million in salaries and benefits for sales agents and managers, because the total number of reservation office employees will be reduced;

--about \$565,000 for consolidation of phone lines, because fewer lines will be needed with three offices;

--about \$323,000 in rental and maintenance of communications equipment, because less equipment will be needed to maintain three offices; and

--about \$216,000 in real estate and other costs, primarily because less office space will be needed.

First-year savings will be considerably less because of off-setting expenses for severance pay, relocation benefits, office renovation, and training for new employees to replace those at the two closed offices.

Amtrak expects to be able to manage with fewer sales agents and managers by making more efficient use of the remaining sales agents and managers, through the greater staffing flexibility that it will have in staffing three offices rather than five. Thus, it expects to replace at the three remaining offices only 80 percent of the sales agent slots it had at Carle Place and Jacksonville. Amtrak based this assumption on a private consultant's study made several years ago. While the precise replacement ratio may turn out, over time, to be different from the 80 percent assumption, it is reasonable to expect that Amtrak will be able to reduce staffing by consolidating offices.

However, Amtrak's estimate includes not only savings from consolidation, but also savings from other actions being taken at about the same time. For example, Amtrak is installing a new telecommunications system that allows calls to be routed easily to any office--to help even out workloads. Such a system has some potential for reducing the number of employees needed, even in a five-office configuration. Amtrak officials agreed that this system has that potential, but they also said that the system

is too new to permit a good estimate of that potential without extensive study.

Moreover, in the three-office configuration, Amtrak expects to have a sales agent-to-supervisor ratio of about 21 to 1, versus a ratio of about 18 to 1 in the five-office configuration. It appears to us, and Amtrak officials agreed, that--to some extent--this greater span of control might have been achieved even in a five-office configuration.

SECTION 3

RESERVATION OFFICE PRODUCTIVITY

Although reservation office productivity can be measured in various ways, these measures reflect not only the efficiency of the office's staff but such other factors as the types of calls received by each office. Amtrak could not provide us, and we could not develop from the available data, any measure that would directly measure staff efficiency alone.

A reservation office's outputs can be measured in such terms as calls handled, reservations made, or sales revenue generated;¹ its inputs can be measured in such terms as staff-hours or dollars. Furthermore, various ratios can be developed to measure productivity by linking outputs to inputs--for example, calls handled per staff-hour or sales revenue generated per staff-hour. From data provided by Amtrak, we computed several ratios, as shown in table 3.1.

Using such ratios to compare one office to another can be difficult because the mix of calls received varies by office. For example, a call from someone who wants to check on a train schedule takes relatively little time to answer but also has relatively little potential to produce a reservation. Alternatively, a call from someone who is considering making a reservation takes more time but also has more potential to produce a reservation.

Amtrak's primary measure of productivity is calls handled per staff-hour; according to this measure, the Jacksonville office ranked third among the five offices in the first 9 months of fiscal year 1986. Another measure is sales revenue generated per staff-hour; according to this measure, the Jacksonville office ranked first among the five offices during the same period.

According to Amtrak, such ratios largely reflect the types of calls received by each office. For example, we were told that the Caple Place office's top ranking in terms of calls per staff-hour reflects the many requests for information about train schedules. These tend to be short calls that generate relatively little revenue. In contrast, we were told that the Jacksonville office's top ranking in terms of sales revenue per staff-hour reflects the many calls about Auto Train and other long-distance trains. These tend to be longer calls that generate relatively large revenues.

¹In our work on productivity, we generally do not use sales revenue as a measure of output because dollar measures can distort the actual quantities produced.

Table 3.1

Productivity Ratios and Rankings for
Amtrak's Five Reservation Sales Offices for
the First 9 Months of Fiscal Year 1986

<u>Productivity ratios</u>	<u>Carle Place</u>	<u>Chicago</u>	<u>Fort Washington</u>	<u>Jacksonville</u>	<u>Los Angeles</u>
Calls handled per staff-hour	24.1	20.4	21.9	20.8	20.3
Calls handled per reservation	9.7	11.7	8.7	7.8	9.9
Cost per call handled ^a	\$ 2.18	\$ 2.37	\$ 2.01	\$ 2.19	\$ 2.59
Sales revenue per staff-hour	\$432.26	\$328.91	\$378.07	\$550.87	\$397.78
Sales revenue per call handled	\$ 17.97	\$ 16.09	\$ 17.27	\$ 26.43	\$ 19.64
Sales revenue per reservation	\$174.87	\$188.16	\$150.60	\$206.43	\$195.44

Rankings

Calls handled per staff-hour	1	4	2	3	5
Calls handled per reservation	3	5	2	1	4
Cost per call handled ^a	2	4	1	3	5
Sales revenue per staff-hour	2	5	4	1	3
Sales revenue per call handled	3	5	4	1	2
Sales revenue per reservation	4	3	5	1	2

^aFort Washington does not incur a cost for office rent because Amtrak owns the building. This enables Fort Washington to have lower cost ratios than if it incurred an office rental charge as the other four offices do.

Thus, we could not determine from available data whether Jacksonville is the best office in terms of staff efficiency. The measures that show Jacksonville as being the most productive office--such as revenue generated per call and similar ratios--may largely reflect the types of calls received by the Jacksonville office. Because the telecommunications system will distribute these calls to other offices after consolidation, the other offices' ratios will likely change.

SECTION 4

RESERVATION OFFICE EXPENSES

The largest expense for each reservation office for the first 9 months of fiscal year 1986 was salaries and benefits; this category accounted for between 61 percent and 71 percent of each office's expenses. The next largest expense was communications; it accounted for between 24 percent and 34 percent of each office's expenses.

The remaining expenses included office rent (except at the Fort Washington office, which is housed in an Amtrak-owned building), building operations, and other. These categories accounted for 9 percent or less of each office's expenses. (See table 4.1 for details.)

Table 4.1

Operating Expenses for Amtrak's Reservation
Sales Offices for the First 9 Months of
Fiscal Year 1986

<u>Expense category</u>	<u>Carle Place</u>	<u>Chicago</u>	<u>Fort Washington</u>	<u>Jacksonville</u>	<u>Los Angeles</u>
----- (thousands) -----					
Salaries and employee benefits	\$3,633	\$5,721	\$ 8,649	\$3,716	\$ 6,655
Communications	1,677	2,065	3,366	1,676	3,770
Office rent	377	589	N/A ^a	122	409
Building operations and other	<u>98</u>	<u>108</u>	<u>191</u>	<u>36</u>	<u>129</u>
Total	<u>\$5,785</u>	<u>\$8,483</u>	<u>\$12,206</u>	<u>\$5,550</u>	<u>\$10,963</u>

	<u>Carle Place</u>	<u>Chicago</u>	<u>Fort Washington</u>	<u>Jacksonville</u>	<u>Los Angeles</u>
----- (percent) -----					
Salaries and employee benefits	63	67	71	67	61
Communications	29	24	28	30	34
Office rent	7	7	N/A ^a	2	4
Building operations and other	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>
Total ^b	<u>.00</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

^aAmtrak owns this building.

^bComponents may not sum to 100 percent because of rounding.

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