S. HRG. 112–395

# MOVING INTERCITY PASSENGER RAIL INTO THE FUTURE

## HEARING

BEFORE THE

SUBCOMMITTEE ON SURFACE TRANSPORTATION AND MERCHANT MARINE INFRASTRUCTURE, SAFETY, AND SECURITY

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

SEPTEMBER 14, 2011

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# CONTENTS

# MOVING INTERCITY PASSENGER RAIL INTO THE FUTURE

**WEDNESDAY, SEPTEMBER 14, 2011**

U.S. SENATE,
SUBCOMMITTEE ON SURFACE TRANSPORTATION AND
MERCHANT MARINE INFRASTRUCTURE, SAFETY, AND SECURITY,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 10 a.m. in room SR–253, Russell Senate Office Building, Hon. Frank R. Lautenberg [Chairman] presiding.

## OPENING STATEMENT OF HON. FRANK R. LAUTENBERG, U.S. SENATOR FROM NEW JERSEY

Senator LAUTENBERG. Despite the paucity of members, we're going to start this hearing. The subject is one that has such a giant part to play in the existence, in my view, of our country and our society. So we'll start the record, we'll record any discussions that we have, so everyone will be able to, who's interested, catch up.

Thank you for being here and joining in what I hope will give us some acceleration of motion here to try and get a critically important part of our transportation services, an opportunity to play a reasonable part in the way we do things here.

I don't think that the detractors, those who don't want to give Amtrak any money, understand what the implications might be. The thought that we could have in the millions, tens of millions, of people looking for a way to get to work, get off crowded highways, and have some reliability established in their lives.

Trains have helped move America forward since the 19th century, when we built the Transcontinental Railroad. It was an engineering marvel that captured imaginations throughout the world. As President Obama pointed out in his address to Congress last week, building a world-class transportation system helped make America an economic superpower. That's why I support his call for more investment in America's railways.

Those of you who know me at all know very well that I've been sounding an alarm and working hard to try and furnish Amtrak and our rail system the kind of support that we must have.

We have an opportunity to bring our rail network into the 21st century and once again make the United States the envy of the world. It's going to take a lot of work. Our competition for attention goes across countries in the world that are—some of which border on Third World existence, and you can get places in much more rapid time than we can present.

To achieve the goals that we'd like, we've got to be bold, make a stronger investment in Amtrak, which has been the heart and soul of our national rail network for 40 years. Amtrak offers a solid record to build upon. Last year Amtrak's nationwide ridership hit historic highs, carrying nearly 29 million passengers, and it's on track to beat that number this year.

Amtrak is eager to give more Americans access to faster trains and that's particularly true in the Northeast Corridor, but it's throughout the country. Northeast Corridor rail service continues to skyrocket in popularity. Amtrak also wants to upgrade its infrastructure, including track, track, signals, and electrical system.

In my State of New Jersey, I'm working with Amtrak to build the Gateway Tunnel, an innovative project that will expand high-speed rail in the Northeast Corridor. Now, I think you all know that we had begun a project to build a tunnel. Hundreds of millions of dollars were already spent in design and even in some construction. But that was called off—not a good idea, a terrible idea—and we're left with costs, money thrown away, because the program was pulled even as it had a pretty significant start.

Giving Amtrak the resources it needs to better serve the public will be good for the economy, spark job creation.

Businesses will flock to communities with premier rail service. We see that all the time. We've seen it in my state. It's a small state, but there's a lot of transportation that moves through and within New Jersey. We saw rail lines that were opened apart from Amtrak rail service where there was virtually no business activity; businesses invested, area projects began there. We have a couple of transit villages, buildings, houses, apartments, that were built particularly close to the rail system, and people liked it, and it continues to be a popular goal, putting houses near good transportation facilities, and Amtrak is that.

Stronger national rail service will also be good for our national security, and it's good for the environment because it will help our country kick its dangerous oil addiction. Additionally, faster and better train service gives Americans a much needed alternative to spending their time stuck in traffic on congested highways and waiting in endless lines at the airport.

We started this process in 2008 when both parties came together and passed my Passenger Rail Investment and Improvement Act, which reauthorized and strengthened Amtrak. This was a bipartisan bill, signed into law by President George W. Bush. Our Amtrak law also created the high-speed rail grants that are moving forward today in New Jersey and other States across the country. Additionally, the 2008 law made critical investments in the Northeast Corridor and required Amtrak to work with the States and the Federal Government to bring the corridor into a state of good repair.

Make no mistake, if the United States wants to remain competitive globally we need to move beyond the status quo on transportation, and that job begins by making a stronger investment in Amtrak.

Last year we spent more than $40 billion on highways, and lord knows we need that. But that's more than we spent on Amtrak in its entire 40-year history. And I repeat that: Amtrak received less

Federal money in its history, its 40-year history, than highways get in a single year. Unfortunately, some say that we can't afford vital public investments like this right now, and I say we can't afford not to make these investments.

When I was building a business, I learned firsthand if you want to be successful in the future you have to be laying down the foundation now. The same principle applies here. If we want to leave a country, a society, where our children and grandchildren live a better life than living in congestion wherever they go, we've got to make smart investments on their behalf. It means investing in Amtrak, and investing in Amtrak doesn't just make transportation or make travel faster; it saves. As I mentioned, it saves in buying foreign oil. It saves the quality of the air. It's such a valuable part of our existence, and I don't know why that picture can't be seen by everybody.

It's not enough just to say we're going to cut service.

It's like cutting throats, that's how serious this is. As you see, it bothers me.

Anyway, Senator Udall, you're next, please, for your statement.

**STATEMENT OF HON. TOM UDALL, U.S. SENATOR FROM NEW MEXICO**

Senator UDALL. Thank you, Senator Lautenberg.

I'm not going to give a long opening statement, but I just wanted to kind of set the stage for one of the questions I'm going to ask the panel. You know, Congress—and this is the issue of having no high-speed rail corridor in the Southwest. Congress authorized 11 high-speed rail corridors and the Department of Transportation designated the eleventh and final corridor earlier this year, and I'm disappointed there's no inter-mountain rail corridor serving the Southwest and major population centers like El Paso, Albuquerque, Phoenix, and Denver.

The Mountain West is probably one of the fastest growing regions in the country and it's now a key time to invest by providing travelers throughout the region with efficient transportation and a green alternative to driving or flying. Today, you cannot travel from Albuquerque to Denver by rail without changing trains in Los Angeles or Chicago. Our regional railways run from East to West, with no North-South connections. A high-speed passenger rail would bring valuable new opportunities for tourism and business growth to New Mexico and throughout the Mountain West.

You all know the map well, but you can see with the red high-speed corridors there are—this is called "Vision for High-Speed Rail in America." The inter-mountain and Southwest is really lacking. So one of the questions I'm going to be asking the panel is: is there a possibility in the future to do that and where are we headed on that front?

So with that, Chairman Lautenberg, I'm happy to hear from the witnesses and then go into the questioning after, of course, our colleague Senator Toomey reads his statement.

Senator LAUTENBERG. Thank you.

Senator UDALL. Thank you.

Senator LAUTENBERG. Thank you, Senator Udall.

Senator Toomey comes from a neighboring state, a much larger state than mine, which is not more crowded but nevertheless makes good use of rail service within the State. A corridor opened just a couple years ago, has been a smashing success from Philadelphia—is that to Harrisburg or Pittsburgh?

**STATEMENT OF HON. PATRICK J. TOOMEY, U.S. SENATOR FROM PENNSYLVANIA**

Senator TOOMEY. Both. There's a successful Harrisburg corridor, yes.

Senator LAUTENBERG. Very, very successful.

Senator TOOMEY. Thank you, Mr. Chairman, and I appreciate your raising a number of important and thoughtful issues here, and I thank you for holding this hearing today.

I wanted to touch briefly on a specific issue. It's really an important issue that Amtrak and Southeast Pennsylvania's commuter rail service, SEPTA, are dealing with, and that's the implementation of positive train control.

PTC, as you know, was first mandated in 2008, and SEPTA, along with Amtrak, other commuter rail systems, and some freight line operators, have until 2015 to complete the implementation. In the conversations I've had with a number of my constituents, it's not clear to me that that deadline is realistic.

Let me be very clear. We want the safest possible passenger rail systems. My concern, which GAO has raised as well, is that—and I'm going to quote GAO right now—"Other critical safety needs may go unmet if funding is diverted to pay for PTC." End quote, from a GAO 2010 report on positive train control.

This is exactly what I'm concerned may be happening in my State already. For context, for instance, SEPTA owns over 300 bridges, many of which it shares with Amtrak, with an average age that exceeds 80 years. Now, due to the amount of capital that's being diverted in anticipation of implementing PTC, not a single one of those bridges moved into construction in Fiscal Year 2011 and none are planned to go in in 2012.

I think there may be a sensible solution to this problem. A 3-year extension to 2018, the implementation date the FRA originally requested, could free up $40 to $50 million for SEPTA alone over the next 4 years, allowing them to make the additional infrastructure and safety upgrades that they would like to make.

I also want to mention the technical concerns about whether PTC can be implemented in time. This is a very sophisticated technology that requires a significant amount of spectrum to operate real-time data transfers that indicate track movements and set speeds for individual trains. The FCC has issued a notice of public comment regarding the availability and affordability of that spectrum, calling the technical implementation "a daunting challenge." GAO has also noted that it's uncertain if many of the PTC components will even be available in time to meet this mandate, including the software, sensors, and radios that are still under development.

Last, GAO questions whether the rollout of a largely untested technology by 2015 is the most cost-efficient approach to implementing this mandate. The FRA itself has concluded that the cost-benefit ratio of this mandate at this time is about 20 to 1. At this time of cash-strapped Federal and local budgets, commuter rail systems estimate the cost of implementation to be at least $2 billion, and SEPTA estimates that its overall cost could be in the ballpark of $175 million.

The FRA is mandated by law to report back on the status of the PTC implementation by 2012. The problem with that is that many rail systems, including SEPTA, need to enter into binding agreements with supplies by the end of this year in order to meet the current deadline. Therefore, despite whatever the report might say or recommend, these PTC expenditures may very well already have to be allocated.

So, Mr. Chairman, I think the PTC mandate in some ways may have painted the system with a slightly too broad a brush and not fully take into account some of the existing safety infrastructure and other items like spectrum availability or the existence of the needed technology. It's my hope that we can find some common ground in resolving this issue. I plan to introduce legislation that will address this and there is a sensitivity based on time.

I thank you for having this hearing, Mr. Chairman. I look forward to working with you. I'm afraid I will not be able to stay because of another obligation that I have, but I appreciate your input.

Senator LAUTENBERG. We welcome you here. Your State is an important suburb of ours.

[Laughter.]

Senator TOOMEY. That's not exactly how we view it.

Senator LAUTENBERG. My bad jokes include New York usually.

Thanks for being here.

Now we bring the witnesses to the table, each with a significant amount of expertise on the importance of passenger rail. We have: Mr. Joseph Szabo, Administrator of the FRA, who will discuss FRA's efforts to move passenger rail into the future; and Mr. Joseph Boardman, President and CEO of Amtrak. Having worked with Mr. Boardman since he's been President of Amtrak, I can tell you there's a lot of very good effort that's put in there, good leadership, and we congratulate him; and we're going to hear about Amtrak's plans to build on the successes we have seen in serving the American people.

Ted Alves is Amtrak's Inspector General and you'll, I understand, update us on the progress that Amtrak is making in meeting the challenges of the 21st century. And Mr. Mitch Behm, Assistant Inspector General for the Department of Transportation, who will discuss with us the Department's oversight of rail service in our country.

I thank all of you for coming here today. We ask you to give your testimony within 5 minutes. Mr. Szabo, if you would begin, please.

## STATEMENT OF HON. JOSEPH C. SZABO, ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION

Mr. SZABO. Chairman Lautenberg, also to Ranking Member Wicker, and of course the members of the Subcommittee: Let me just say it's an honor to come before you today on behalf of President Obama and his administration.

As we continue to plan for the future of passenger rail in the United States, there's been much attention paid to and questions raised about passenger rail in America. Is the program too big? Who will pay for the program? Is such a public works program an anti-recession measure? Will it further extend the power of the Federal Government? How much of a stimulus will the program be to industry?

In fact, these same questions were posed more than 50 years ago in a 1958 *Fortune Magazine* article on America's interstate highway program. We look back to the records from the House and Senate hearings in the 1950s and your predecessors spent years debating how the interstate highway system would be built, what it would look like, what role states should play, whether borrowing would be needed, and how much land would need to be acquired.

Business and labor, the agricultural community, States and cities, all weighed in on the discussion. And after all the debate, they found a way to move forward and, thanks to their leadership, the interstate highway system was built, giving America's economy the competitive advantage of better mobility.

The capacity to move people, goods, and information efficiently is the basis for all economic and social activity in any society. Just as job creators would no sooner invest in a nation that promised a future of slower Internet, or less bandwidth, business owners will not invest in America without transportation access to an expanded labor force and limitless customer markets.

Investing in passenger rail today is a necessity, not a luxury. Over the next 40 years, America will become home to an additional 100 million people, largely concentrated in regions that make up only 25 percent of the land mass in the United States and where congestion is already costing families and businesses nearly $130 billion each year.

While congestion is mostly limited to those regions, the economic cost of that congestion is not. Delays at hub airports are the largest cause of flight delays nationwide. Short-hop flights crowd out international flights that allow American businesses to reach the global marketplace, and congestion on highways increases the cost businesses face in getting their products in the customer's hands.

Space to expand airports and highways in those regions is extremely limited and the cost to do so is very high. Investing in passenger rail and connecting it to the other modes of transportation offers the most cost-effective way to drastically expand capacity and improve the performance of the entire transportation network.

By offering competitive or superior door to door trip times on intercity trips less than 600 miles, passenger rail can absorb many of the trips that have become detrimental to the performance of other modes in these congested regions, allowing America to move more people and goods throughout metropolitan areas and across State lines and around the world.

When the history books are open on the year 2011, my hope is that future generations will look back and see today's leaders with the wisdom from previous generations who foresaw the mobility challenges of the 21st century and made the right decision by investing in passenger rail to provide Americans with mobility options that make the United States the best place to locate a business and hire new employees.

With that, I'd be happy to answer any questions.

[The prepared statement of Hon. Szabo follows:]

PREPARED STATEMENT OF HON. JOSEPH C. SZABO, ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION

Chairman Lautenberg, Ranking Member Wicker and members of the Subcommittee: It is my honor to represent Secretary of Transportation Ray LaHood before you today to discuss the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). PRIIA has contributed to forming a strong, robust and vital rail component to our national transportation system and specifically to furthering high-speed and intercity passenger rail service for generations of travelers.

**Introduction**

Throughout history, high-quality transportation infrastructure has been a key driver of economic growth and competitiveness. The canals and waterway systems in the 18th century, the transcontinental railroad in the 19th century, and the interstate highway and aviation systems in the 20th century all transformed the American economy and way of life, helping the United States to become the global leader that it is today.

As the United States pursues infrastructure investments to prepare for the future, the Nation faces significant transportation challenges that require new approaches and bold, innovative solutions:

- The nation's population continues to grow rapidly, and is concentrated in expansive urban areas called "mega-regions"
- Rising levels of highway and air traffic congestion are restricting accessibility and mobility
- High levels of energy consumption, particularly from foreign sources, are draining both financial and natural resources
- Large amounts of greenhouse gases and harmful pollutants are being emitted into the environment
- American households are spending substantial portions of their budgets on transportation, and society as a whole bears a large cost for safety-related impacts of the current system

Intercity and High-speed rail (HSR) has many inherent advantages for addressing these challenges, and will play a critical role in the efficient, cost-effective, environmentally-sensitive, and multi-modal transportation network needed for America's future.

**PRIIA—A Comprehensive Starting Point**

The fall of 2008 was a watershed for the Federal Railroad Administration (FRA). In response to the tragic Metrolink accident at Chatsworth, California, Congress enacted comprehensive rail legislation, fundamentally expanding the Agency's safety and passenger rail programs. For the first time, in one piece of legislation, both parts of FRA's mission were addressed in a comprehensive manner. Division A of that legislation, the Rail Safety Improvement Act of 2008 (RSIA), was the first reauthorization of FRA's safety program in 14 years and provided significant direction, responsibility and authorized resources for FRA's safety program. Division B of that legislation, the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) began the transformation of FRA's investment programs. PRIIA was the first reauthorization of Amtrak in 11 years, but did this in the larger framework of intercity passenger rail service that went beyond the traditional view that Amtrak is synonymous with that mode of transportation.

While much remains to be done, FRA has made significant progress in meeting the goals required in this legislation.

**Implementing PRIIA—Progress To-Date**

I believe PRIIA, which was signed by President George W. Bush, began the transformation of the Federal role in intercity passenger railroad investment, laying the foundation for considering rail on par with the other surface transportation modes. In this regard, PRIIA can be viewed as addressing three issues critical to the future of intercity passenger rail service.

First, PRIIA addressed the mission of Amtrak which had been the source of debate for a generation including: defining the national railroad passenger transportation system, improving and adding transparency to Amtrak's business processes, and setting expectations for intercity passenger rail performance and the role and responsibilities of Amtrak and the freight railroads that host Amtrak service to deliver on those expectations.

Second, PRIIA addressed a new view of the investment relationships needed to deliver intercity passenger rail service. Since 1971, this had been a bilateral relationship between the U.S. Department of Transportation and Amtrak. PRIIA envisioned a trilateral relationship that involves relations between USDOT and Amtrak, between USDOT and the States, and between the States and Amtrak.

Third, PRIIA also addressed high-speed intercity passenger rail service from both the public and private investment perspective. While much had been debated before the creation of FRA, a national approach to developing high-speed rail had been lacking.

The roles and responsibilities for implementing PRIIA are as diverse as the issues that the legislation addresses. Amtrak, FRA, the U.S. Department of Transportation's Office of Inspector General, the Surface Transportation Board, the States and others each found that PRIIA had significant mission shifts and expansion for them. Attached as Appendix I, is an outline of the PRIIA provisions and the current implementation status.

**Implementing PRIIA—The Challenges**

PRIIA envisioned roles, responsibilities and relationships that previously had not existed or were being significantly modified. In many ways, PRIIA begins the establishment of a new paradigm for intercity passenger rail transportation. Any major shift in policy or programs requires a period of transition while the various stakeholders adjust to those new policies and programs. This is true of PRIIA.

None of the stakeholders, and I include FRA in that group, had the resources and capabilities for fully participating in the new intercity passenger rail environment created by PRIIA. FRA was sized for a financial assistance program that routinely provided annual operating and capital grants to Amtrak and evaluated applications for financial assistance under the Railroad Rehabilitation and Improvement Financing (RRIF) Program, together with a handful of other grants, the bulk of which had been earmarked by Congress.

Compounding the rapidly expanding mission of FRA's financial assistance team were the significant new responsibilities placed upon our safety program. In balancing resources and priorities, I concur with the position of the previous Administration that because safety is FRA's top priority, the safety initiatives, including rulemakings, should have first claim on the FRA resources available to both program areas. I recognize that certain rulemakings required under PRIIA have been deferred due to the extraordinarily large regulatory workload imposed on FRA by RSIA. However, we are now catching up with the RSIA workload and are initiating some of the rulemakings required by PRIIA.

When PRIIA was enacted, Amtrak was in a defensive posture. It had just survived yet another decade of inadequate funding, deteriorating assets, declining on-time-performance on its host railroads, threats to its very existence and was in the midst of a transition in management. While capable in many areas, Amtrak was focused on tactical day-to-day actions of preserving a national system of intercity passenger rail service in a resource constrained environment. Its ability to envision itself in a new model for intercity passenger rail service, with new relationships and stakeholders, was constrained by decades where planning and acting tactically had precedence over planning and acting strategically.

Most States had no passenger rail investment programs, and those that did were primarily focused on continuation of existing State-supported Amtrak service. Unlike highway and transit programs, most States had no or very limited long-term vision of a more robust role for rail in meeting their intercity passenger mobility needs, in part because the need for such a vision did not align with how the Federal Government funded transportation. Rail expertise in most States paled in comparison to the highway, transit and even aviation expertise in their departments of transportation. Thus, most States did not have the pipeline of intercity passenger rail projects that had been subjected to the rigorous planning, environmental review, design and engineering that would make them truly "ready to go" as PRIIA-authorized funding became available. Similarly, most States did not have the relationships with their private sector freight railroads which would be a critical stakeholder in implementing these projects.

Freight railroads had become accustomed to the underfunded Amtrak model of intercity passenger rail service that had developed since the early 1970s. They were not prepared for public investments in their assets. In particular, they were not prepared for the obligations placed upon FRA and the States that required a tangible public sector benefit for the Federal investment. Nor were they prepared for the rapid expansion in the interest in passenger rail investment by multiple States.

The good news is things are getting better. All of the parties have been rapidly expanding their capabilities. The public sector and the private sector railroads have begun to understand the roles, responsibilities and obligations that flow from public investment in private assets. Indeed, I am happy to report that States and railroads have reached agreement on the development of all of the major intercity passenger rail corridors where high-speed passenger service will use freight railroad infrastructure. By the end of the month, FRA will be essentially complete with the obligation of the funds provided to FRA under the Recovery Act, one year ahead of the deadline for obligations set by that Act.

Amtrak, under the leadership of Joe Boardman and a new Board of Directors on which I serve as Secretary LaHood's representative, is now thinking strategically while not forgetting those essential tactical elements that are important for rail service today. That's why Amtrak can point to record ridership and improving customer quality reports while also producing a visionary plan for high-speed rail on the Northeast Corridor and innovative partnerships to participate in the development of high-speed rail elsewhere. No doubt a major contributor to Amtrak's success since PRIIA has been that Amtrak could devote its energies to getting better rather than an annually recurring fight for survival.

The progress seen in intercity passenger rail over the last two years is due, in no small part, to President Obama's commitment to the rail mode of transportation as part of a high-performing national transportation system. The President's commitment to rail is also reflected in his strong commitment to making rail projects eligible for Federal funding under the TIGER Grant program and under the proposed National Infrastructure Bank. His commitment has taken PRIIA and intercity passenger rail from being just another in a series of underfunded statutory authorizations to something real. This has placed a sense of urgency on all of intercity passenger rail stakeholders that has not been there before. It also has us thinking about the next steps in the evolution in intercity passenger rail in the United States.

**PRIIA Foundation for the Future**

PRIIA is a complex multi-faceted piece of legislation that attempted to comprehensively address issues facing intercity passenger rail service. Thus it has provisions that, while important, are mundane. Falling into this category would be section 206 which addresses Amtrak's requests for grants and how and when the Secretary will consider such requests.

PRIIA also has far-reaching sections that redefine perceptions of intercity passenger rail service and the roles and responsibilities of the various stakeholders in providing this important transportation option. In many ways, these sections laid the foundation for the future. Among these sections are:

- Section 207 Metrics and Standards; this section recognizes that safe, reliable and customer-focused high-quality service is essential to the success of any form of transportation and sets the expectations of performance by both Amtrak and the host railroads in delivering that kind of service;
- Section 209 State-Supported Routes: this section will standardize methodology for establishing and allocating operating and capital costs between Amtrak and the States for services that States deem an important component of their transportation plans;
- Section 212 Northeast Corridor Infrastructure and Operations Improvements: this section recognizes the collective responsibility of the Federal Government, the States and Amtrak in planning and developing the Northeast Corridor between Boston and Washington, which is an essential component of the transportation system of America's most populous region;
- Section 301, with Section's 302 and 501: these sections establish a new paradigm for Federal investment in intercity, including high-speed, passenger rail service moving from a bi-lateral relationship between the Federal Government and Amtrak to a tri-lateral relationship in which the States are full partners. As part of Section 301, PRIIA, recognizes the importance of strong Buy America requirements as a means for expanding domestic manufacturing and a strong commitment that railroad work should be done by railroad workers, covered by specifically-designed railroad statutes, as an important component of a safe and efficient national rail system;

- Section 305 Next Generation Corridor Train Equipment Pool: this section, through the development of specifications for standardized next generation corridor equipment, will permit the States and Amtrak to develop pooled orders for equipment to achieve economies of scale in acquisition and operation of equipment while helping foster development of our domestic rail car manufacturing; and
- Section 307 Federal Rail Policy: this section directed preparation of the first National Rail Plan and encouraged the development of State rail plans in order to promote an integrated, cohesive, efficient and optimized rail system for the movement of goods and people.

**PRIIA—Next Steps**

I believe that PRIIA was the right bill for its time; but times change. In his State of the Union address, President Obama laid out a bold vision for intercity passenger rail transportation. To realize this vision, we will need to move beyond PRIIA in many ways. The Administration believes that in moving beyond PRIIA, we should:

- Present a real, achievable vision for the role of rail in meeting this Nation's mobility challenges.
- Commit to building a world-class high-speed and intercity passenger rail network that continues to support the growth and competitiveness of the Nation's freight rail system.

**Vision for the Evolution of the Passenger Rail System**

The President's vision is for an integrated national system of high-speed and intercity passenger rail service. That service is best provided in three corridor tiers driven by market demand. Each tier has different policy and implementation frameworks based upon the unique characteristics inherent to the region. A "one size fits all" approach is inefficient and unresponsive to the different transportation needs and market conditions of specific regions and communities. The three tiers are described as follows:

*Core Express*—Operates at sustained speeds in the 125—250 mph range, almost exclusively on dedicated electrified track. Core Express most closely resembles high-speed services such as the Japanese Shinkansen and the French TGV.

*Regional Corridors*—Operates at sustained speeds in the 90—125 mph range on a combination of shared and dedicated track using either electric or diesel power. Regional High-Speed Rail most closely resembles Amtrak's successful Acela operations on the Boston—New York City—Washington, Northeast Corridor.

*Emerging Corridors*—Operates at speeds up to 90 mph on shared infrastructure and diesel power. Examples of this service are the current San Luis Obispo—San Diego *Pacific Surfliner* and the Boston—Portland, ME *Downeaster*.

In addition, there are existing Amtrak short and long distance services where the State-sponsors are not yet ready for improvements to be categorized in the Emerging Corridor or other tier of service. These services would continue as part of the national intercity passenger rail program until development progresses.

**Progressing the Vision**

Moving from the intercity passenger rail paradigm of the last 40 years to one capable of delivering on the vision articulated above will be complex. We must address the legacy of the old system, the structures of the new system and strategies to effectively transition between them. To accomplish this, the National High-Performance Rail System would be managed through two coordinated programs—the System Preservation and Renewal Program and the Network Development Program as outlined in the Fiscal Year 2012 budget request.

*System Preservation and Renewal*. This program ensures America's existing passenger rail system works well, by bringing it into, and maintaining it, in a state of good repair. In any transportation mode, one of the most cost-effective ways to add capacity, reduce delays, and improve travel times is to build upon the investments that past generations have made in the Nation's infrastructure. This proposal ensures that public assets maintained and renewed by assuming a share of the annual life-cycle costs of rail infrastructure and equipment, while also responsibly funding infrastructure backlogs and Amtrak's legacy debt. Specifically, this program would (1) replace aging national rail assets and equipment that have deteriorated due to historical underinvestment; (2) provide operating, capital, and debt resources to the National Railroad Passenger Corporation (Amtrak) for long-distance intercity passenger rail service and other nationally important assets; and (3) fund state of good repair and asset recapitalization of publicly-owned rail infrastructure and fleet.

*Network Development.* The focus of Network Development Program will be development of the three tiers of high-speed intercity passenger rail service based on the market conditions and transportation needs of the affected communities. Further, this tiered approach reflects the international experience—every successful rail system in the world includes regional and feeder corridors that connect communities to a backbone of high-speed rail corridors.

As with the development of the U.S. highway and aviation systems, achieving success will require thorough long-range planning, coordination among numerous public and private stakeholders, clear vision, and sustained institutional commitment. Moreover, like these other transportation modes, NHPRS will not be developed solely through Federal financing.

While significant Federal investment is necessary in the early years to demonstrate a national commitment to passenger rail, build institutional capacity, and initiate complex, multi-state projects, NHPRS will succeed only if states, regional entities, and the private sector play a defining role in planning, developing, financing, and operating these services. NHPRS provides opportunities for this participation throughout the corridor development process, within a flexible framework that will adapt to new ideas and changing conditions.

These initiatives focus on (1) planning and developing core express, regional, and emerging corridors; (2) developing intermodal stations to connect intercity passenger rail service to communities and other transportation options; (3) facilitating the design, procurement, manufacturing, and demand management of standardized passenger rail equipment; and (4) delivering training and technical assistance services to develop government and private expertise, promoting research and development in the rail industry, and providing temporary transitional operating support during the launch of new services and for existing state-supported corridors.

The following table summarizes the program areas, funding proposal outlined in the FY 2012 President's Budget, and eligibility for the first six years of this effort.

National High Performance Rail System

FY 2012 through FY 2017 [$000]

| NHPSRS | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | TOTAL |
|---|---|---|---|---|---|---|---|
| Network Development | 4,000 | 4,833 | 5,853 | 7,107 | 7,389 | 7,714 | ***36,896*** |
| System Preservation and Renewal | 4,046 | 2,613 | 2,653 | 1,999 | 2,167 | 2,216 | ***15,694*** |
| ***TOTAL—NHPSRS*** | ***8,046*** | ***7,446*** | ***8,506*** | ***9,106*** | ***9,556*** | ***9,930*** | ***52,590*** |

This substantial investment is a national commitment to making rail a viable element of our future transportation system. The proposed investment is based on the current and future mobility needs of the American population; the costs of capacity enhancements for rail and other modes; and the public benefits that rail brings to communities. The six-year plan also reflects domestic and international experiences and applies the lessons learned from those experiences to America's unique transportation environment.

Federal funding for intercity passenger rail service and programs authorized by various sections of PRIIA relies upon annual discretionary appropriations. By subjecting the timing and funding levels to annual appropriations, entities, both public and private, are hampered in planning, developing, partnering, and investing. The President's budget proposes that funding made available for intercity passenger rail should be done so with the same degree of predictability and multi-year commitment that helps define our successful highway and transit programs. These activities will be financed via mandatory contract authority in the expanded Transportation Trust Fund, using a dedicated Rail Account to ensure predictable and stable streams for long-range planning and development.

**Conclusion**

In closing Mr. Chairman, I have spent my entire adult life in the rail industry. I have known and observed FRA for more than 30 years. And at no time has there been such a period of transformation in the Agency's mission and its ability to impact the safety and mobility of the American public and the freight on which the world's greatest economy depends. Secretary LaHood and I look forward to working with the Congress to craft the program structures necessary to permit America to fully realize the benefits of rail transportation.

I would be happy to address any questions the Committee might have.

## APPENDIX I

### Summary of PRIIA Sections with Significant FRA Action or Interest

[as of Sep 14, 2011]

| Provision Heading | Section | Synopsis | Status |
|---|---|---|---|
| Restructuring [Amtrak's] Long-Term Debt and Capital Leases | 205 | The Treasury Department (consulting with DOT and Amtrak) may make arrangements to restructure Amtrak's indebtedness . . . | ***Ongoing:*** Treasury and DOT have a Memorandum of Understanding effecting this arrangement; the first Early Buy-Out was exercised on January 3, 2011, and the second will follow on September 30, 2011. |
| Grant Process | 206 | Establish substantive and procedural requirements for Amtrak grants; review and approve Amtrak grant requests on a timely basis | ***Completed:*** Requirements were submitted to Congress on December 22, 2008; DOT and Amtrak have collaborated to assure timely grant processing. |
| Metrics and Standards | 207 | . . . The Federal Railroad Administration and Amtrak shall jointly . . . develop . . . minimum standards for measuring the performance and service quality of intercity passenger train operations . . . [and] the Administrator of the FRA shall . . . publish a quarterly report [thereon] . . . | ***Completed:*** Final standards were published May 12, 2010. The First Quarterly Report was posted to FRA's Web Site on March 3, 2011, and two more have been published since then. ***Note:*** On August 19, 2011, AAR filed a complaint in the United States District Court for the District of Columbia, asserting that Section 207 of PRIIA is unconstitutional because it improperly delegates rulemaking authority to Amtrak and because it violates the due process rights of the freight railroads. A response to this complaint has not yet been filed with the court. |
| Methodologies for Amtrak Route and Service Planning Decisions | 208 | Section 208 of the PRIIA requires that FRA obtain services of an entity to develop objective methodologies for Amtrak route and service determinations, and submit recommendations to Amtrak and Congress. | ***Pending:*** The Volpe Center has been engaged to develop the methodology. |
| State-Supported Routes | 209 | Develop a standardized and equitable method of allocating operating and capital costs to States, of all short-distance routes (not just those currently State-supported). | ***Ongoing:*** State/Amtrak negotiations have led to a draft agreement on cost-sharing that will have been submitted for Amtrak Board approval on August 31st. |
| Long-Distance Routes | 210 | FRA to monitor development, implementation, and outcome of Performance Improvement Plans (PIPs); if unsatisfactory, notify Amtrak, OIG, and Congress; allow Amtrak hearing; may withhold appropriated subsidies if progress is insufficient. | ***Ongoing:*** Amtrak has issued the first third of its 15 plans. The remainder will appear in Fiscal Years 2011 and 2012. This year's Plans will be submitted for Board approval at its September meeting. Under the five extant Plans, Amtrak is generally on track in implementing cosmetic changes but faces stiff challenges in obtaining host railroad agreements for major changes (***e.g.,*** increasing train frequencies). |
| NEC State-of-Good-Repair (SOGR) Plan | 211 | FRA to review and approve the SOGR plan and updates, and assure that capital grants are congruent with SOGR plan | ***Completed:*** Amtrak published its plan on April 15, 2009. FRA approved it, arranged for updates, and reviews Amtrak's capital plans for congruence with the SOGR plan. |
| NEC Infrastructure and Operations: ***Commission*** | 212 "Part 1" | Establish NEC Infrastructure and Operations Advisory Commission | ***Completed.*** DOT/FRA established the Commission. ***Ongoing:*** Commission is now operational and has an Executive Director in place. |

Summary of PRIIA Sections with Significant FRA Action or Interest—Continued

[as of Sep 14, 2011]

| Provision Heading | Section | Synopsis | Status |
|---|---|---|---|
| NEC Infrastructure and Operations: ***Safety Committee*** | 212 "Part 2" | Establish NEC Safety Committee (with security responsibilities), report recommendations along with Secretary's comments to Congress annually during first session. | ***Ongoing:*** FACA committee establishment process is underway. The revised charter package, and a second package with formal Committee member nominations, is in final coordination for the Secretary's signature. |
| Alternate Passenger Rail Service Pilot | 214 | Prepare a rulemaking for, manage, and report on a program for a host railroad to take over Amtrak service on no more than two routes | ***Pending:*** FRA is well along in this rulemaking process: A Notice of Proposed Rulemaking (NPRM) was published in the Federal Register on September 7, 2011. |
| Employee Transition Assistance | 215 | Develop a transition assistance program for Amtrak employees affected by Section 214 of the PRIIA or the deletion of a route | ***Pending:*** Depends on completion of the Section 214 rulemaking which FRA has initiated, and on a bidding process that results in selection of a competitive proposal from a non-Amtrak carrier. |
| Oversight of Amtrak's Compliance with ADA | 220 | FRA to monitor and periodically review Amtrak's compliance with ADA | ***Ongoing:*** FRA's Office of Civil Rights and Office of Railroad Policy & Development work cooperatively in the monitoring and review of Amtrak's compliance with applicable accessibility requirements. |
| Passenger Rail Service Studies | 224(c) (1) | . . . The Secretary shall conduct [analyses of the following corridors: (A) the Southeast Corridor; (B) the South Central Corridor's potential for extension to (i) Memphis, Tennessee; (ii) the Port of Houston, Texas; (iii) through Killeen, Texas; and (iv) to South Texas; and (C) the Keystone Corridor's potential for extension to Cleveland, Ohio] . . . and submit a report on these analyses to the [Authorizing Committees]. . . . The Secretary shall establish a process for a State or . . . States to petition the Secretary to redesignate or modify any designated high-speed rail corridors. | ***Pending:*** Data from the long-range National Rail Plan, when complete, will inform future development of a designation process as called for in PRIIA Section 224(c). |
| Intercity Rail Grant Programs | 301, 302, 501 | Issue guidance/regulations and implement the Intercity Passenger Rail, Congestion Grant, and High-Speed Rail Programs. | ***Ongoing:*** The HSIPR Program—well underway—subsumes these programs. |
| State Rail Plans | 303 | Section 303 of the PRIIA requires the Secretary to prescribe procedures and standard format and data requirements for, and to review, State rail plans. FRA is also to assist States in developing their State rail plans (per Section 307). | ***Ongoing:*** Draft outline of prototype rail plan created in 2010; ten State rail plans are funded with FRA grants. FRA is preparing proposed state rail plan standards for public review. |
| Baltimore Tunnel | 304 | Select, approve, and complete environmental process on a new rail tunnel alignment through Baltimore | ***Ongoing:*** Two FRA-sponsored feasibility studies are complete; HSIPR funds ($60 million) were obligated to the State in April 2011 for preliminary engineering and NEPA. |
| Equipment Pool | 305 | . . . Amtrak shall establish a Next Generation Corridor Equipment Pool Committee [with FRA and stakeholders] . . . to design, develop specifications for, and procure standardized next-generation corridor equipment. | ***Completed:*** Committee is established, with active FRA, State, and industry participation.<br>***Ongoing:*** Committee has specifications for bi-level cars, single-level cars, and locomotives. A train set spec. is expected in September, to be followed by a Diesel multiple-unit car spec. |

Summary of PRIIA Sections with Significant FRA Action or Interest—Continued

[as of Sep 14, 2011]

| Provision Heading | Section | Synopsis | Status |
|---|---|---|---|
| Rail Cooperative Research Program | 306 | Set up and carry out a rail cooperative research program in economic, environmental, and engineering domains. An advisory board and Transportation Research Board participation are integral to this provision. | ***Completed:*** FRA awarded $5 million grant to Transportation Research Board (TRB) in September, 2010. ***Ongoing:*** Recommendations from various entities for Advisory Board members are in review at FRA prior to submission to the Secretary. TRB will administer once Advisory Board is established. |
| National Rail Plan | 307 "Part 1" | Section 307 of the PRIIA requires that FRA develop a long-range National Rail Plan. | ***Ongoing:*** FRA met the PRIIA statutory time deadline by publishing a Preliminary National Rail Plan on October 15, 2009, and provided Congress with a progress report on the long-range Plan on September 28, 2010. Additional development is ongoing. |
| Federal Rail Policy—General Provisions | 307 "Part 2" | FRA is to: • Assist stakeholders and operators in research and planning for shared-use rail corridors. • Develop and enhance partnerships with the rail industry, States, and the public concerning rail development. • Support rail intermodal development and high-speed rail development, including high-speed rail planning. • Ensure that programs under this section benefit the public and support regional and national transportation goals. | ***Ongoing:*** These activities are intrinsic to the FRA's mission as an agency, and are implemented through multiple initiatives such as HSIPR, RRIF, and the National Rail Plan. |
| Locomotive Biofuel Study | 404 | Section 404 of the PRIIA requires that the Secretary, in consultation with DOE/EPA, conduct a study on the potential use of biofuels in locomotives and report the results of the study. | ***Ongoing:*** An award was made to North Carolina State University to conduct the research activities outlined in Section 404, which are in progress. Extensive field testing has also occurred on Amtrak's ***Heartland Flyer*** route. |
| Study of the Use of Biobased Technologies | 405 | Section 405 of the PRIIA requires that the Secretary shall conduct a study on the potential use of biodegradable lubricants for railway equipment and report the results of the study. | ***Ongoing:*** An award was be made to National Agriculture-Based Lubricants Center at the University of Northern Iowa to conduct the research activities outlined in Section 405. Expected completion date is May 2013. |
| Cross-Border Passenger Rail Service | 406 | The Secretary shall seek to establish facilities and procedures to conduct preclearance of Amtrak passengers traveling from Canada to the United States. | ***Completed:*** Passengers boarding Amtrak's Cascades service in Vancouver, Canada pre-clear immigration at Vancouver's Pacific Central Station. The Cascades trains from Canada must, however, still stop at the border (Blaine, Washington) for customs inspection. |
| Historic Preservation of Railroads | 407 | Section 407 of the PRIIA requires that FRA conduct a study in consultation with historic preservation groups; report the results of the study and recommendations for future action. | ***Ongoing:*** The study has been initiated and is expected to be substantially complete by the end of calendar year 2011. Consultations with historic preservation stakeholders are underway. |

Summary of PRIIA Sections with Significant FRA Action or Interest—Continued
[as of Sep 14, 2011]

| Provision Heading | Section | Synopsis | Status |
| --- | --- | --- | --- |
| Additional High-Speed Rail Projects | 502 | Section 502(e)(1) of the PRIIA (Mica provision, public private partnership) requires that no less than 60 days after receiving proposals that are judged to be complete, credible, likely to favorably affect transportation, cost effective, and in the public interest, the Secretary shall establish commissions to review and consider such proposals. Additional action is contingent on commission review. $5 million is authorized for Section 502 (but nothing was appropriated.). No actions beyond commission activities and reports, planning, and preliminary engineering are authorized without explicit additional authority. | ***Completed:*** FRA issued the Request for Expressions of Interest on December 16, 2008. Of eight proposals received, five were judged to be responsive. None of the responsive proposals included private funding, therefore, it was determined that none justified the establishment of a Commission. |

Senator LAUTENBERG. Thank you, Mr. Szabo.

The next person is Mr. Boardman, President and CEO of Amtrak.

**STATEMENT OF JOSEPH H. BOARDMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMTRAK**

Mr. BOARDMAN. Mr. Chairman, Mr. Udall, we've worked hard to comply with PRIIA and make progress toward complying with the legislation that you passed. We've met most deadlines, including implementing an improved financial accounting system, working with the Departments of Treasury and Transportation to restructure our debt, working with the States on new costing methodologies for State-supported routes—that's particularly important with the recent House mark that we received—and working with the FRA and States to develop specifications for the next generation corridor equipment.

Several of the PRIIA provisions address the immediate needs and future vision for the Northeast Corridor. In May of 2010, there was a Northeast Corridor Infrastructure Master Plan approved. Initiated in 2007, it was approved under the idea of attaining a state of good repair. Shortly after President Obama came to office, there was a new vision. Now we're working on a concept plan for next generation high-speed rail service in the Northeast and a two-track corridor capable of supporting world-class speeds, facilitating major reductions in travel time.

For example, today from New York City to D.C. it's often favorable for people to say our average speed is 87 miles an hour, even if we hit 135. But with the new plan our average speed would be 135 miles an hour, with a top speed being 220 miles an hour. So that 220 mile an hour service is in four operational segments that we see as a stairstep approach.

Our vision already is moving forward thanks to a $450 million authorized by PRIIA to upgrade 24 miles of the Northeast Corridor in New Jersey with electrical and track upgrades that allow for increases in operating speeds.

It's often not understood that the critical piece of what needs to be done—and I think you laid it out succinctly, Mr. Chairman—is that you have to do a lot of foundational work to get where you really need to go. And that includes electrical and track work in the existing Northeast Corridor that was a tremendous vision 100 years ago, but it hasn't had a 100-year vision in that period of time.

We can improve the reliability for current Amtrak and commuter service at the same time and it will support the proposed Amtrak Gateway Project that is intended to increase access and capacity at New York Penn Station, which is another foundational element. There's nowhere for commuter trains to go in Penn Station. You're handling 1,200 trains a day. We can build a new entrance, the proposed Moynihan Station Project, but if we don't fix underneath, the infrastructure, it will not work.

We'll soon issue an update report which includes a new analysis on the project's ridership, revenue, and construction costs, and by mid-year 2012 we intend to complete a business and financial plan that will identify opportunities for private investment. As we know, that's required to make this really work for the future.

PRIIA enabled these bold plans and real improvements by establishing a supportive policy environment. It provided a strong foundation for growth and in many ways changed the direction of intercity passenger rail service in this Nation. The task before us now is to build on that foundation. To do that effectively, a clear national policy direction backed by sustained and consistent public investment will be required.

Amtrak looks forward to working with you, Mr. Chairman, and this committee and its staff on legislation that would achieve that objective. Thank you.

[The prepared statement of Mr. Boardman follows:]

PREPARED STATEMENT OF JOSEPH H. BOARDMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMTRAK

Good afternoon, Chairman Lautenberg, Ranking Member Wicker, and members of the Subcommittee. On behalf of the Amtrak Board of Directors and the men and women of Amtrak, I am pleased to have the opportunity to come before the Committee to discuss Amtrak's role in implementing the Passenger Rail Investment and Improvement Act of 2008, or PRIIA.

President Bush signed PRIIA into law in October 2008, shortly after Amtrak set a ridership record. Fiscal years 2010 and 2011 were again record years.

PRIIA anticipated such a pattern of continued growth in demand for passenger rail service. Sections 301, 302, and 501 authorized, for the first time, a Federal grant program to support efforts to develop high-speed and intercity passenger rail services. The program received over $10 billion in subsequent appropriations, and since that time, Amtrak has worked closely with the Federal Railroad Administration (FRA) and the states to advance numerous projects to expand and improve Amtrak service for which states sought, and in many cases received, grants under these sections. These grants are funding dozens of projects in more than 30 states.

PRIIA also addressed passenger train performance. Prior to the passage of PRIIA, Amtrak had experienced acute problems with on-time performance, particularly on our long-distance trains. PRIIA included two provisions which directly address passenger train performance. Section 207 mandated the development of metrics and standards to monitor and improve service quality, including but not limited to on-time performance. Additionally, Section 213 authorized investigations by the Surface Transportation Board if on-time performance averages less than 80 percent for two consecutive calendar quarters. It also enforces the existing requirement that Amtrak receive preference over freight trains in the joint use of a rail line. Amtrak's on-time performance on host railroads has improved significantly since PRIIA's enactment.

We've also worked hard to comply with or make progress towards complying with all PRIIA requirements and deadlines, including by implementing an improved financial accounting system under Section 203; working with the Departments of Treasury and Transportation to restructure our debt under Section 205; working with the states on new costing methodologies for state-supported routes under Section 209; producing plans to improve our long-distance routes pursuant to Section 210; and working with the FRA and states under Section 305 to develop specifications for next-generation corridor equipment.

Several PRIIA provisions address the immediate needs and future vision for the Northeast Corridor. Under Section 211, we prepared a capital spending plan to return the Northeast Corridor to a state-of-good repair, and updated that plan in May 2010 with the Northeast Corridor Infrastructure Master Plan. Amtrak is also represented on the Northeast Corridor Infrastructure and Operations Advisory Commission, which was established by Section 212 to promote mutual cooperation and planning.

We will be working with the Commission on our concept plan for next-generation high-speed rail service in the Northeast on a new two-track corridor capable of supporting world-class speeds and facilitating major reductions in travel time. We intend to pursue the plan using a "stair-step" approach that outlines a structured path to achieving 220 miles-per-hour service on each of four operational segments. Our vision is already moving forward thanks to a $450 million Federal grant, authorized by PRIIA, to upgrade a 24-mile section of the Northeast Corridor in New Jersey with electrical and track upgrades that will allow for an increase in operating speeds, improved reliability for current Amtrak and commuter service, and will support the proposed Amtrak Gateway Project, which is intended to increase access to, and expand capacity at, New York Penn Station.

We will soon issue an updated report which will include new analysis on the project's ridership, revenue, and construction costs. By mid-year 2012 we intend to complete a business and financial plan that will identify opportunities for private investment.

In conclusion, PRIIA enabled these bold plans and real improvements by establishing a supportive policy environment. It provided a strong foundation for growth and in many ways changed the direction of intercity passenger rail service in this Nation. The task before us now is to build on that foundation. To do that effectively, a clear national policy direction backed by sustained public investment will be required. Amtrak looks forward to working with the Committee and its staff on legislation that would achieve that objective.

Thank you and I welcome the opportunity to answer your questions.

Senator LAUTENBERG. Thanks very much, Mr. Boardman.

Mr. Alves.

## STATEMENT OF THEODORE ALVES, INSPECTOR GENERAL, NATIONAL RAILROAD PASSENGER CORPORATION

Mr. ALVES. Chairman Lautenberg and Senator Udall, thank you for inviting me to discuss Amtrak's actions to implement PRIIA. I'd like to start by thanking you, Mr. Chairman, and the Subcommittee for the support you have given my office since I became Inspector General in late 2009. I also want to acknowledge some of Amtrak's key recent achievements. Ridership and revenue have grown steadily and this year the company expects to exceed 30 million passengers for the first time. Amtrak is also focused on improving management practices and financial performance and is finalizing a new strategic plan.

Today, I will discuss preliminary results from our audit of Amtrak's progress in implementing PRIIA. We found that Amtrak has embraced PRIIA and has made good progress addressing most provisions. It is in the process of addressing other provisions.

We also identified five issues that offer opportunities to save money or improve PRIIA implementation. First, restructuring more Amtrak debt could generate savings. PRIIA authorized Treasury to restructure Amtrak debt to save money for Amtrak and the government. In response, Treasury agreed to restructure 13 capital leases, which will save $152 million over time. Amtrak has 39 other leases with buyout options that have the potential to eventually save over $400 million.

However, the authorization to restructure debt has expired. We believe Amtrak should update its estimates and we suggest that the Congress consider reauthorizing the restructuring authority.

Second, improving long distance routes faces challenges. Amtrak completed plans for the five worst performing routes in 2010 and has begun making improvements, such as expanded seating and food service options. However, it has not been able to implement the major initiatives, such as providing daily service on some routes. Those initiatives require approval from host railroads, which have asked Amtrak for millions of dollars to make infrastructure improvements. We believe Amtrak should focus future plans on improvements that it can control.

Third, Amtrak needs a process to support on-time performance remedies. Amtrak continues to experience untimely performance on many of its long distance routes. The Act authorized Amtrak to ask the Surface Transportation Board to investigate whether poor on-time performance is due to host railroads giving preference to freight trains. Amtrak has been collecting data to determine whether to request a Board investigation, but it lacks a structured process to make the determination.

Fourth, Amtrak's new financial system is needed to complete other PRIIA provisions. PRIIA required Amtrak to implement a new accounting system to provide better financial information. This information is needed for Amtrak to fully meet other PRIIA reporting requirements. Although Amtrak deployed the new system in June, it has encountered problems and is not yet generating the needed data.

Finally, Amtrak should analyze whether additional special trains could reduce subsidies. Amtrak has not responded to the PRIIA provision suggesting that it use more special trains. I would point out that that's the only provision that Amtrak hasn't responded to. They have made very good progress.

Amtrak operates few special trains because it does not have the resources, such as numbers of rail cars and personnel dedicated to this service. While special trains currently provide little revenue for Amtrak, without an adequate analysis, Amtrak cannot know whether running more special trains could lower subsidies.

In conclusion, Amtrak has made good progress implementing PRIIA and should address the five issues I discussed today.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions.

[The prepared statement of Mr. Alves follows:]

PREPARED STATEMENT OF THEODORE ALVES, INSPECTOR GENERAL, NATIONAL RAILROAD PASSENGER CORPORATION

Good morning Chairman Lautenberg, Ranking Member Wicker, and members of the Subcommittee. Thank you for the opportunity to discuss Amtrak's efforts to provide higher quality, more cost-effective intercity rail transportation services. The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) reauthorized Amtrak and strengthened the U.S. passenger rail network by tasking Amtrak, the Department of Transportation, the Federal Railroad Administration, states, and others to improve operations and services. PRIIA also assigned Amtrak a clear mission:

> *"To provide efficient and effective intercity passenger rail mobility consisting of high-quality service that is trip-time competitive with other intercity travel options."*

The Act authorized nearly $10 billion for Fiscal Years (FY) 2009–2013 for Amtrak's operating costs and capital investments, including actions to bring the Northeast Corridor to a "state-of-good-repair" [1] and to pay down Amtrak's long-term debt and capital leases. While appropriation levels have increased since PRIIA was enacted, they have been less than the authorized amounts.

The Act also contains provisions to help Amtrak operate more efficiently and to improve services on existing routes. It assigned 29 sections to Amtrak: 15 required Amtrak to act within a specified time frame, 10 suggested that Amtrak take or consider some action, and four required or suggested that Amtrak respond to actions taken by Federal or state agencies. For example, the Act directed Amtrak to implement a modern financial accounting and reporting system and develop a five-year financial plan.

As requested, my testimony today will address the preliminary results of our ongoing audit of Amtrak's progress and opportunities in completing provisions of PRIIA.[2] Our audit is assessing the progress Amtrak has made in implementing PRIIA by comparing the Amtrak-assigned PRIIA provisions with the Company's deliverables and responses. We also evaluated the quality and effectiveness of Amtrak's actions to implement four selected sections: *Restructuring Long-Term Debt and Capital Leases* (Section 205); *State Supported Routes* (Section 209); *Long-Distance Routes* (Section 210); and *Passenger Train Performance* (Section 213). We judgmentally selected these provisions on the basis of their potential to improve performance and generate savings to Amtrak and the U.S. government.

Before I address the preliminary results of that work, I want to thank you, Mr. Chairman, and the Subcommittee, for the support that you have given me and my office since I became Amtrak's Inspector General in 2009. We will continue to build our capacity to conduct effective, independent oversight of Amtrak's operations and offer recommendations for improvement.

I also want to acknowledge some of Amtrak's key recent achievements. Amtrak is now projecting that—for the first time ever—its annual ridership will exceed 30 million passengers for FY 2011. This past June was the best June on record, with more than 2.6 million passengers for the month. Amtrak is also focused on improving its management practices and financial performance, and is finalizing a new strategic plan to guide Company efforts to improve its performance.

Good Progress Made In Addressing Most Provisions; Others In The Process Of Being Met

Our preliminary audit results show that Amtrak has embraced PRIIA and has made good progress. As shown in figure 1, Amtrak has addressed 18 of the 29 requirements and suggestions assigned to it. For example, Amtrak issued performance improvement plans for its five worst performing long-distance routes and, with the Departments of the Treasury and Transportation's assistance, restructured some of its capital leases, saving $152 million. Amtrak is working to respond to seven PRIIA sections. For example, it is negotiating with states to implement a standardized cost-sharing methodology for state-supported routes. Amtrak has not responded to one suggestion—that it expand the use of special trains to reduce Federal subsidies. As noted in the figure, Amtrak has not responded to three sections because the triggering events that are prerequisites to Amtrak's responding have not occurred.

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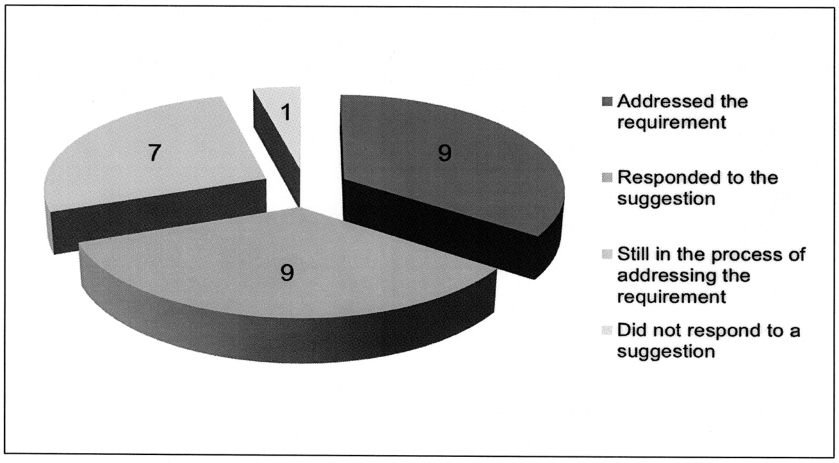
[1] In July 2008, the Secretary of Transportation defined a state of good repair as "[a] condition in which the existing physical assets, both individually and as a system, (a) are functioning as designed within their useful lives, and (b) are sustained through regular maintenance and replacement programs; state of good repair represents just one element of a comprehensive capital investment program that also addresses system capacity and performance."

[2] Next month we plan to issue our final report on the progress that Amtrak has made in implementing PRIIA.

**Figure 1. Amtrak's Progress in Implementing PRIIA Provisions (number of sections)**




*Note:* Amtrak did not have to respond to an additional three sections because the triggering events that are prerequisites to Amtrak's responding have not occurred.
*Source:* OIG analysis of Amtrak's deliverables and responses and PRIIA's requirements and suggestions.

The status of each PRIIA provision and our ongoing review of selected provisions are detailed in the attachment to this testimony. Based on that work, there are five issues I want to bring to the Subcommittee's attention that represent opportunities for savings or improving the implementation of PRIIA provisions:

- *Restructuring More Amtrak Debt Could Generate Savings.* Section 205 authorized the Department of the Treasury, the Secretary of Transportation, and Amtrak to restructure outstanding Amtrak debt, if significant savings would accrue to Amtrak and the Federal government. After working with the Secretary of Transportation and Amtrak, Treasury restructured 13 capital leases, saving $152 million ($91 million in present-value dollars).

  Opportunities for substantial savings still exist, but the authorization to restructure debt expired in October 2010. To illustrate, when Amtrak submitted its proposal to Treasury in May 2009, it identified another 39 leases with early buyout options that had the potential to save an additional $426 million ($305 million in present-value dollars). New legislative authority and updated savings estimates would be needed to allow Amtrak and the Departments of the Treasury and Transportation to pursue these savings.

- *Implementing Long-Distance Improvement Plans Faces Challenges.* Section 210 required Amtrak to rank its 15 long-distance routes and develop performance improvement plans, starting with the five worst-performing routes. Amtrak completed the first five plans, which generally call for changes that would significantly improve ridership and several financial metrics, but at the cost of modestly increasing operating losses.

  While Amtrak has begun implementing improvements that are under its control, such as expanding seating, food-service options, and vacation packages, it has been unable to implement the major initiatives. One reason is that major initiatives, such as providing daily service instead of three-day-a-week service, require approval from the host railroad. The host railroads informed Amtrak that their approval is contingent upon its providing millions of dollars to improve their infrastructure. Other impediments are the need for additional Federal subsidies at a time of severe budget constraints, and limited availability of passenger rail cars.

  Essentially, Amtrak is not in a position to control many of the key improvement initiatives it proposed. At this point, we believe Amtrak's future improvement plans should focus more on initiatives it can control and implement without requiring additional Federal subsidies or support from host railroads.

- *Developing a Process and Criteria to Support Using On-Time-Performance Remedies.* Section 213 authorizes Amtrak to request that the Surface Transportation Board investigate substandard on-time performance of intercity passenger trains, which the Act defines as less than 80 percent on-time for two consecutive quarters. The Board is then to determine the causes of not meeting the on-time-performance standard and, if the cause is the host railroad's failure to provide preference to Amtrak over freight transportation, the Board is authorized to award damages or prescribe other relief that it deems appropriate.

  Amtrak continues to experience on-time-performance rates for many long-distance routes that fall below the PRIIA-defined standard. Amtrak has been collecting the data necessary to determine if and when to request an investigation by the Board. However, our work shows that Amtrak has not developed a structured process or criteria to make this determination. Such a process is a prerequisite to determining if and when to request an investigation, and would enhance the likelihood of success if Amtrak pursues this option.
- *Implementing Amtrak's New Financial System is Key to Completing Several Remaining Provisions* (Sections 203, 204, and 207). Section 203 required Amtrak to implement a modern financial accounting and reporting system by next month. This past June, Amtrak deployed its new system, but the system encountered problems and is not yet fully stable or operational.

  According to Amtrak officials, the previous financial reporting system lacked detailed financial data. However, the new system, being implemented under the Strategic Asset Management program, will provide detailed financial data once fully operational and stabilized. Consequently, we found that while Amtrak has prepared annual five-year financial plans as required by Section 204, the plans have not fully met the PRIIA financial reporting requirements. Also, Amtrak has not been able to meet Section 207 requirements that it maintain detailed data to measure the performance and service quality of intercity passenger trains, including cost recovery. According to a senior Finance Department official, when fully operational, the recently deployed system will help Amtrak meet these requirements.
- *Determining Whether Additional Special Trains Could Help Reduce Federal Subsidies.* Section 216 encouraged Amtrak to increase the operation of special trains to minimize the need for Federal subsidies. This is the only PRIIA provision that Amtrak has not acted upon.

  Amtrak officials said that they did not consider this suggestion and have not increased the number of special trains. They stated that the Company does not have the resources, such as the rolling stock and manpower, dedicated for this type of service. Amtrak does, however, provide some special trains, although it accounts for a very small portion of revenue. Still, without adequate analysis to determine whether additional special trains could generate profits to help reduce Federal subsidies, Amtrak may be missing an opportunity to generate additional profit by operating more special trains.

**Preliminary Suggestions**

While we are still finalizing our audit report on Amtrak's implementation of PRIIA, we can provide our initial thoughts on how Amtrak and the Congress could take advantage of the opportunities available under PRIIA to increase revenues, minimize Federal subsidies, and improve performance. Our preliminary suggestions are that Amtrak should take action to

- update its information to support early buyouts of additional capital leases that would generate savings and provide those data to Congress for its consideration,
- focus future performance improvement plans on improvements that are less dependent upon host railroad approval or increased Federal subsidies,
- develop a specific process and criteria to help determine how and when to request that the Surface Transportation Board investigate substandard on-time performance, and
- determine whether additional special trains could yield profits to help reduce Federal subsidies.

**Potential Matter For Congressional Consideration**

Given that the authorization has expired, the Congress may wish to consider whether to reauthorize the early buyout of those remaining capital leases that will generate saving to the Federal government.

Mr. Chairman, this concludes my statement, and I would be happy to answer any questions that you or other Members of the Subcommittee may have.

ATTACHMENT

## Progress And Opportunities for Improving Amtrak's Implementation of PRIIA

While Amtrak has addressed most of PRIIA's requirements and suggestions assigned to it, our ongoing work shows that opportunities remain for improving Amtrak's implementation of three provisions. Amtrak is in the process of addressing the requirements in seven sections and has not responded to one suggestion. And there are three sections in which the triggering events that are prerequisites to Amtrak's responding have not occurred.

## Amtrak Has Addressed Most Requirements, Including Developing Performance Improvement Plans for its Long-Distance Routes and a Plan to Improve Onboard Service

The requirements specified in the nine PRIIA sections that Amtrak has addressed range from such diverse topics as requiring Amtrak to report travel expenses for Board of Directors members to producing technical specifications for the next generation of train equipment. The actions Amtrak took to address these nine requirements are summarized in table 1. We selected Section 210 from this group for detailed review and identified opportunities to improve its implementation. This section has requirements deadlines that are to be met over a series of years. The opportunities we identified relate to future-year requirements and implementation issues.

Table 1.—Nine PRIIA Requirements Addressed by Amtrak

| PRIIA Section | Title | Action |
|---|---|---|
| *202* | *Amtrak Board of Directors* | Amtrak reported all travel and reimbursable business travel expenses for each Board member to specific congressional committees. |
| *210* [a] | *Long-Distance Routes* | Amtrak ranked and issued performance improvement plans for its long-distance routes that addressed nine information categories specified in the Act. Amtrak has also implemented some of the plans' initiatives, such as expanding seating and food-servicing capacities and adding certain vacation packages. More plans are required to be developed in the near future. |
| *222* | *Onboard Service Improvements* | Amtrak developed and implemented a plan to improve its onboard service pursuant to its performance metrics and standards established under PRIIA. |
| *224* | *Passenger Rail Service Studies* | Amtrak issued studies of six prior and current routes to determine whether to reinstate passenger rail service or a station stop, to expand service, or to reduce ticket prices. |
| *226* | *Plan for Restoration of Service* | Amtrak issued a plan for restoring passenger rail service between New Orleans and Sanford, Florida. |
| *304* | *Tunnel Project* | Amtrak selected and obtained approval of a new rail tunnel alignment in Baltimore. |
| *305* | *Next-Generation Corridor Equipment Pool* | Amtrak established a Next-Generation Corridor Equipment Pool Committee and produced the technical specifications for the next-generation train equipment. |
| *306* | *Rail Cooperative Research Program* | Amtrak nominated an executive to serve on the advisory board, called the Rail Oversight Committee. |
| *406* | *Cross-Border Passenger Rail Service* | Amtrak developed and implemented a strategic plan to facilitate expanded passenger rail service across the Canadian border during the 2010 Olympic Games. |

[a] Selected by OIG for detailed review.
*Source:* OIG analysis of Amtrak data<.

*Implementing Long-Distance Improvement Plans Faces Challenges (Section 210)*

While Amtrak has ranked its 15 long-distance routes and submitted performance improvement plans for the five worst-performing routes in FY 2010 as required, it has not yet implemented the plans' key initiatives. Amtrak has experienced difficulty because it does not control all the factors required to achieve the key initiatives. These factors include host railroad approval[3] and the availability of additional Federal operating subsidies. The host railroads responded that their approval is contingent upon Amtrak's providing millions of dollars to improve their infrastructure. Also, the FY 2010 performance improvement plans are projected to improve many of the routes' operating and financial performance metrics. For example, the projected increase in ridership decreases the loss per passenger mile. However, the plans are projected to do so at the cost of increasing the routes' financial operating losses because the increase in revenues is less than the increase in operating expenses.

Amtrak has put itself in a position in which it cannot control the factors needed to achieve the key improvement initiatives that it proposed. If Amtrak continues to maintain this approach in future improvement plans, versus focusing primarily on initiatives that are not dependent upon host railroad approval or increased Federal subsidy, it is unlikely that Amtrak will make significant progress in improving performance on these long-distance routes.

**Amtrak Has Responded to Most Suggestions, Including Restructuring Some Capital Leases and Obtaining Services from the General Services Administration**

The suggestions contained in nine PRIIA sections, which Amtrak has also responded to, range from making agreements to restructure its capital leases to obtaining services from the General Services Administration. The actions Amtrak took to address these nine suggestions are summarized in table 2. As discussed after the table, we also selected Sections 205 and 213 for detailed review. For Section 205, we identified opportunities for savings by the restructuring of additional capital leases. Since the restructuring authority has expired, it would need to be reauthorized. Further, Amtrak's capital lease data are outdated, and current savings estimates would be needed. For Section 213, we identified opportunities to improve its implementation.

Table 2.—Nine PRIIA Suggestions Addressed by Amtrak

| PRIIA Section | Title | Action |
|---|---|---|
| *205*[a] | *Restructuring Long-Term Debt and Capital Leases* | The Department of the Treasury, in consultation with Amtrak and the Department of Transportation, restructured 13 Amtrak capital leases. This authorization expired in 2010, 2 years after PRIIA's enactment. |
| *206* | *Establishment of Grant Process* | Amtrak complied with the Department of Transportation's newly-established grant application process. |
| *213*[a] | *Passenger Train Performance* | Amtrak is collecting and monitoring on-time-performance data for analytical purposes that could be used if it decides to request that the Surface Transportation Board investigate delays by a host railroad for substandard on-time performance due to "freight interference." |
| *218* | *General Amtrak Provisions* | Amtrak obtained services, such as purchasing and travel card service, from the General Services Administration. Through this service, it will avoid administrative processing costs compared with previous, paper-based procurement processes. |
| *223* | *Incentive Pay* | Amtrak approved merit pay, geographic pay, and spot award programs for its employees, and proposed an incentive pay program to the Board of Directors. |
| *301* | *Capital Assistance for Intercity Passenger Rail Service* | Amtrak provided advice and assistance to states in their efforts to obtain capital assistance and grants for intercity passenger rail service. |
| *302* | *Congestion Grants* | Amtrak provided advice and assistance to states in their efforts to obtain congestion grants. |

[3] A host railroad owns and controls the tracks that are used by Amtrak and other intercity passenger rail operators. When an Amtrak train operates on tracks owned or operated by host railroads, the host railroad's dispatching center generally has control over the Amtrak train's movement. An Amtrak engineer must comply with the host railroad's instructions, such as slowing down, stopping, or sitting on a side track for a passing train.

Table 2.—Nine PRIIA Suggestions Addressed by Amtrak—Continued

| PRIIA Section | Title | Action |
|---|---|---|
| *402* | *Routing Efficiency Discussions with Amtrak* | Amtrak met with host freight railroads and commuter rail entities to develop feasible train schedules to satisfy all users' requirements. |
| *501* | *High-Speed Rail Corridor Program* | Amtrak applied for nearly $1.3 billion in infrastructure-improvement grants to bring next-generation, high-speed rail to the Northeast Corridor. The Department of Transportation awarded Amtrak nearly $450 million to upgrade support systems and tracks between stops in Pennsylvania and New Jersey. |

[a] Selected by OIG for detailed review.
*Source:* OIG analysis of Amtrak data.

*Restructuring More Amtrak Debt Could Generate Savings (Section 205)*

While the Department of the Treasury, in consultation with Amtrak and the Department of Transportation, restructured 13 Amtrak capital leases, Amtrak still had another 39 at the time of submission with early buyout options.[4] With an investment of $420 million, the estimated savings from the early buyout of the 13 leases was about $152 million ($91 million in present-value dollars).[5]

Opportunities for substantial savings still exist, but the authorization to restructure debt expired in October 2010. To illustrate, when Amtrak submitted its proposal to Treasury in May 2009, it identified another 39 leases with early buyout options that also had the potential to reduce Federal costs. At the time of its proposal, paying off the remaining 39 capital leases could have resulted in an additional $426 million ($305 million in present-value dollars) in net savings with a $638 million investment. New legislative authority and updated savings estimates would be needed to allow Amtrak and the Departments of the Treasury and Transportation to pursue these savings.

*Developing a Process and Criteria to Support Using On-Time-Performance Remedies (Section 213)*

Amtrak continues to experience on-time-performance rates for many of its routes that fall below PRIIA standards. While Section 213, *Passenger Train Performance,* authorizes Amtrak to request that the Surface Transportation Board investigate substandard on-time performance, Amtrak has not requested such an investigation. According to Amtrak officials, they are in the process of developing information and supporting documentation that could be used to make such a request. However, these officials do not have a well-defined process or criteria for developing a request of this type. Developing processes and criteria are a prerequisite to the Company's determining when to request an investigation. Further, sound processes and criteria enhance the likelihood of the Board's agreeing with Amtrak's position.

**Amtrak Is Addressing Some Requirements, Such as Implementing an Improved Financial Accounting System and a Standardized Cost-Sharing Methodology for State-Supported Routes**

Amtrak is also in the process of addressing seven PRIIA requirements, summarized in table 3. After the table, we discuss the implementation status and challenges to completion for the seven sections.

[4] Amtrak provided the Department of the Treasury with data that showed its capital leases by their early buyout option dates. On April 30, 2009, Amtrak had 25 and 27 capital leases with early buyout options during FYs 2010–2014 and FYs 2015–2019, respectively.

[5] The $152 million savings is about $10 million less than that reported by the Department of the Treasury.

Table 3.—Seven PRIIA Sections Being Addressed by Amtrak

| PRIIA Section | Title | Action |
|---|---|---|
| 203 | *Establishment of Improved Financial Accounting System* | Amtrak's previous financial accounting system did not generate detailed data adequate to meet the requirements of these three sections; the new system being implemented under the Strategic Asset Management program is not yet stable or fully operational. |
| 204<br>207 | *Development of Five-Year Financial Plan*<br>*Metrics and Standards* | |
| 209[a] | *State-Supported Routes* | Amtrak is working to negotiate a cost-sharing methodology with affected states for establishing and allocating operating and capital costs of intercity rail passenger service. PRIIA requires that the methodology ensure equal treatment of all affected states by October 16, 2013. |
| 211 | *Northeast Corridor 'State-of-Good-Repair' Plan* | Amtrak issued the required plan, but used 2022 rather than 2018 as the deadline for returning the Northeast Corridor to a 'state of good repair.' It is implementing the plan. |
| 212 | *Northeast Corridor Infrastructure and Operations Improvements* | Amtrak must submit a report detailing the infrastructure improvements needed to provide regular high-speed service between the District of Columbia and New York City, and New York City and Boston. An interim report was submitted, but new data are emerging. Amtrak officials are deciding on how best to transmit these new data. |
| 219 | *Study of Americans with Disabilities Act-Compliance Requirements at Existing Intercity Rail Stations*b | Amtrak issued the required study, but used 2015 rather than 2010 as the deadline for stations' compliance with the Americans with Disabilities Act. It issued updated studies and will report quarterly on its progress. |

[a] Selected by OIG for detailed review.
[b] In the next few weeks, we will issue a report on Amtrak's progress in complying with the requirements of the Americans with Disabilities Act of 1990.
*Source:* OIG analysis of Amtrak data

*Implementing Amtrak's New Financial System Is Key to Completing Three Provisions*

Amtrak has deployed a new financial accounting and reporting system, being implemented under the Strategic Asset Management program,[6] but has encountered problems; the system is not yet stable or fully operational. As a result, according to Amtrak officials, the Company lacks the detailed financial information it needs to respond to three of the remaining PRIIA provisions. According to a senior Finance Department official, when fully stable and operational, the recently deployed system will help Amtrak meet these requirements.

- *Establishment of Improved Financial Accounting System (Section 203).* This section required Amtrak to implement a modern financial accounting and reporting system and report annually on the allocation of all revenues and costs to each route, line of business, and major activity. Amtrak officials stated that due to the inadequacies of the previous financial reporting system and the fact that its new system, being implemented under the Strategic Asset Management program, has not been stabilized or made fully operational, Amtrak's annual reports do not yet include these costs. According to a senior Finance Department official, Amtrak should be able to include the missing data categories in future reports, once the program is fully operational.

  Amtrak implemented its new financial management system under the Strategic Asset Management program's first segment (Release 1a) in June 2011. We issued two audit reports this year assessing the challenges Amtrak faced during the program's development and implementation.[7] In January, we reported that

[6] In 2008, Amtrak launched a company-wide, multi-year effort called the Strategic Asset Management program. The program's goal is to improve key operational, financial, supply chain, and human resources processes by replacing or enhancing many inefficient manual and automated systems with new systems and business processes.

[7] *Strategic Asset Management Program Controls Design Is Generally Sound, But Improvements Can Be Made* (OIG Audit Report 105–2010, January 14, 2011) and *Strategic Asset Management* Continued

the design of automated controls to mitigate financial risks was generally sound. However, we found gaps in the design of the controls that did not fully mitigate the financial and operational risks. These gaps put Amtrak at risk of not fully realizing the program's full potential benefits. In particular, a lack of adequate controls can lead to inaccurate financial reporting, vulnerability to fraud, and inefficient business operations. In June, we identified several gaps in the program's testing and contingency plans. Amtrak agreed with our recommendations and stated it is addressing them.

- *Development of Five-Year Financial Plan (Section 204).* This section required Amtrak to issue an annual budget and business plan, along with a five-year financial plan. Amtrak has issued the required annual budgets, business plans, and five-year financial plans. These plans provide Congress with significantly more information than was provided before PRIIA.

  However, Amtrak's two financial plans addressed most but not all of the information required by PRIIA. For example, the five-year plans did not address prior Fiscal Year and projected labor productivity statistics on a route. According to a senior Finance Department official, route-basis reports are not available because Amtrak does not directly collect an employee count for each route, so employee count projections per route would be highly speculative. A senior Finance Department official stated that the Strategic Asset Management program should be able to generate these financial data.

  The two financial plans also did not address the requirement to report on Amtrak's ability to efficiently recruit, retain, and manage its workforce, although this information is available within the Company.

- *Metrics and Standards (Section 207).* This section required Amtrak and the Federal Railroad Administration, in consultation with the Surface Transportation Board, host railroads, states, Amtrak's labor organizations, and rail passenger associations, to develop metrics and minimum standards for measuring the performance and service quality of intercity passenger train service, including cost recovery. It also required Amtrak to provide the Federal Railroad Administration with reasonable access to the necessary data to publish quarterly reports on the performance and service quality of intercity passenger train operations.

  Amtrak and the Federal Railroad Administration published draft metrics and standards for public comment in March 2009; the final metrics and standards became effective in May 2010. However, Amtrak has not been able to provide the Federal Railroad Administration with data for some of the financial metrics, such as the percentage of short-term avoidable operating costs covered by passenger-related revenues and the long-term avoidable operating loss per passenger-mile, because it lacks the detailed information. According to senior Amtrak officials, the Company should be able to provide the missing metrics once the Strategic Asset Management program is fully operational.

*State-Supported Routes (Section 209)*

This section required Amtrak—in consultation with the Department of Transportation, relevant state governors, and the District of Columbia mayor—to develop and implement a standardized, nationwide methodology for establishing and allocating operating and capital costs of state-supported rail passenger service. It also required that the methodology ensure equal treatment of all affected states by October 16, 2013.

Amtrak officials stated that negotiating cost-sharing agreements has been difficult—especially during economic conditions in which resources are scarce. However, Amtrak has made progress toward reaching a negotiated agreement. According to Amtrak, the Company and the state working group[8] reached an agreement on a standardized methodology this past May. Further, an Amtrak briefing states that it issued a final draft package to all state partners last month for their approval.

According to Amtrak officials, since PRIIA did not specify the amount that the states' share should represent, negotiations between the Company and its state partners never considered a fully allocated cost-sharing methodology. Amtrak reasoned that requiring such a methodology could lead some states to reduce or cancel some state-supported routes if they considered their costs to be too great. Amtrak

*Program: Further Actions Should Be Taken To Reduce Business Disruption Risk* (OIG Audit Report 001–2011, June 2, 2011).

[8] The States for Passenger Rail and the American Association of State Highway and Transportation Officials established the state working group to work with Amtrak in the development of a cost-sharing methodology.

documents show that if some state-supported services were reduced or cancelled, it would not be able to reduce shared costs sufficiently to avoid increases in operating deficits and increased shared costs for all remaining services. While Amtrak estimates that the proposed methodology will increase annual state contributions by $127 million in FY 2014, a fully allocated cost-sharing methodology could increase state contributions by approximately another $100 million per year.

*Northeast Corridor State-of-Good-Repair Plan (Section 211)*

This section required Amtrak, in consultation with the Secretary of Transportation, the corridor states, and the District of Columbia, to prepare a capital spending plan to return the Northeast Corridor to a state of good repair by the end of FY 2018.

Amtrak issued the required spending plan in April 2009. However, it established an end date for returning the Northeast Corridor main line to a state of good repair that was later than the one specified by PRIIA. Amtrak officials concluded that this task could not be accomplished within that time frame without adversely affecting the level of service. They decided, instead, that the task could be accomplished by 2022 without an adverse effect on service. Amtrak used the 2022 date in preparing the required plan, which it is now implementing.

*Northeast Corridor Infrastructure and Operations Improvements (Section 212)*

This section required Amtrak to submit a report detailing the infrastructure and equipment improvements necessary to provide regular high-speed service between the District of Columbia and New York City, and between New York City and Boston. Specifically, it requires the report to identify the infrastructure and equipment improvements necessary to provide regular high-speed service between (1) the District of Columbia and New York City in 2 hours and 30 minutes, and (2) New York City and Boston in 3 hours and 15 minutes.

In October 2009, Amtrak issued an interim assessment of improving Northeast Corridor trip times,[9] but also recognized that further refinements were likely, due to ongoing actions to improve operations.[10] At the same time, Amtrak reported that it would update and expand upon the interim assessment with (1) completion of the ongoing cooperative activity, (2) consultation with the Northeast Corridor Infrastructure and Operations Advisory Commission, and (3) federally-required environmental analysis. According to a Policy and Development Department official, Amtrak is currently in the process of deciding whether to incorporate the additional data in an updated report or into a comprehensive plan to enhance the corridor infrastructure and operations.

*Study of Compliance Requirements at Existing Intercity Rail Stations (Section 219)*

This section required Amtrak—in consultation with station owners and other railroads—to evaluate the improvements necessary to make the stations it serves accessible to and usable by individuals with disabilities. It specified that the evaluation include a detailed plan and schedule for bringing all applicable stations into compliance by the 1990 Americans with Disabilities Act's statutory deadline of 2010.[11]

Amtrak reported to Congress on its progress to comply with the Act in February 2009, and updated it in October 2010 and August 2011. However, Amtrak used a later deadline than the one specified by PRIIA because it reported that it could not meet the legislative time frame for achieving compliance. The Company initially used September 30, 2015, as the goal for meeting this requirement. In the 2011 update, Amtrak reported that it will work to achieve the Act's compliance at all stations for which it has responsibility by the end of 2015. It also noted that progress has been slower than anticipated because of the challenges associated with management of a program of this size and complexity. Further, Amtrak expects that coordination with and cooperation from other entities (who own the stations or land) will continue to be a major challenge. It pledged in the update to report quarterly on the progress it is making.

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[9] Amtrak, *An Interim Assessment of Achieving Improved Trip Times on the Northeast Corridor* (October 21, 2009).

[10] In September 2010, Amtrak issued *A Vision for High-Speed Rail in the Northeast Corridor,* which presents Amtrak's initial look at how high-speed rail service could be successfully developed in the Northeast Corridor.

[11] In the next few weeks, we will report on the progress Amtrak has made in complying with the Americans with Disabilities Act's requirements.

**Amtrak Did Not Respond to the Suggestion in the Section on Special Trains**

Section 216, *Special Passenger Trains,* encouraged Amtrak to increase the operation of special trains [12] funded by or in partnership with private-sector operators through competitive contracting to minimize the need for Federal subsidies. Although Amtrak operates special trains, officials of the Marketing and Product Development Department said they did not consider the suggestion and have not increased the number of special trains. Amtrak officials stated that the Company does not often operate special trains because it does not have the resources, such as the rolling stock and manpower, dedicated for this type of service. Consequently, special trains have traditionally generated a small portion of Amtrak's revenues. Still, without adequate analysis to determine whether additional special trains could generate profits that, in turn, could help reduce the amount of Federal subsidies needed, Amtrak may be missing a potential opportunity under PRIIA to generate additional profits by operating more special trains.

**Amtrak Has Not Yet Been Required to React to Sections on a Decision-Making Methodology and Changes in Amtrak-Operated Routes**

Amtrak has not had to react to three sections because the events that are a prerequisite to requiring an Amtrak response have not occurred. Specifically:

- Because the Federal Railroad Administration has not recommended any methodologies to determine which intercity passenger routes and services to provide under Section 208, *Methodologies for Amtrak Route and Service Planning Decisions,* the precondition for Amtrak to respond has not been met.
- Because no Amtrak-operated route has been eliminated under Section 215, *Employee Transition Assistance,* the precondition for Amtrak to certify that it made a reasonable attempt to reassign affected employees has not been met.
- Because no state has selected an entity other than Amtrak to operate an intercity passenger train route under Section 217, *Access to Amtrak Equipment and Services,* the precondition for Amtrak to develop an access agreement to its equipment and services has not been met.

Senator LAUTENBERG. Thanks very much, Mr. Alves.
Mr. Behm.

## STATEMENT OF MITCHELL BEHM, ASSISTANT INSPECTOR GENERAL FOR RAIL, MARITIME AND ECONOMIC ANALYSIS, U.S. DEPARTMENT OF TRANSPORTATION

Mr. BEHM. Chairman Lautenberg, Senator Udall, thank you for inviting me here today to discuss FRA's progress in meeting its PRIIA responsibilities. As we testified in April 2010, PRIIA and ARRA together created significant challenges for FRA, an agency with no experience overseeing grant programs the size of those called for under PRIIA. My statement focuses on FRA's efforts to overcome these challenges.

FRA has made noteworthy progress in meeting its PRIIA responsibilities, particularly related to Amtrak oversight. Specifically, FRA has established requirements for Amtrak's grant requests, developed metrics and minimum standards for measuring the performance and service quality of intercity passenger rail service, reviewed and approved Amtrak's capital plan to bring the railroad to a state of good repair, and established the Northeast Corridor Infrastructure and Operations Advisory Commission. FRA also issued interim guidance for high-speed rail grant program procedures, as required by ARRA, within the 120-day mandated timeframe.

[12] A special train is one that does not appear on Amtrak's timetable since it is operated on an "as-needed" basis following a contractual agreement between Amtrak and the party requesting the service. An example is a passenger train added for a sporting event, such as the Super Bowl.

Despite these successes, FRA has yet to promulgate three rulemakings required by PRIIA. One rule would establish a pilot program for alternative passenger rail service on routes currently operated by Amtrak and two would govern the high-speed rail grant program. According to FRA officials, these rules have been delayed because the agency has focused its limited workforce on issuing safety-related rules, consistent with the administration's priorities.

Officials informed us that they plan to create a single comprehensive rule governing the grant program once all Fiscal Year 2009 and 2010 and ARRA funds have been obligated, and will incorporate lessons learned from the first rounds of grants.

FRA also continues to develop its national rail plan, which the legislation required FRA to submit to Congress by last September. Without a final plan, FRA cannot complete PRIIA requirements to develop a process for designating, extending, or modifying high-speed rail corridors or a schedule for achieving measurable performance goals that include estimated funds and staff resources needed to accomplish each goal. A final national rail plan is also expected to provide a blueprint for States' intercity passenger rail plans.

Both the preliminary plan and FRA's progress report on the plan, issued in September 2010, lack measurable goals to guide States' plans. For example, the preliminary plan and progress report do not define criteria that States can use to identify population densities and trip times that characterize high-speed and intercity passenger rail markets. At the same time, it is unknown what role industry stakeholders, from equipment manufactures to service operators, will play. While rail industry stakeholders have expressed optimism about increased public investment in intercity passenger rail, there is uncertainty about how effectively private stakeholders can participate in the intercity passenger rail market without the final plan.

Finally, FRA has not developed important grant-related regulations for application procedures and qualification requirements. As of August 2011, FRA had obligated well over half of its $10 billion capital grant program budget to more than 100 projects on the basis of its interim guidance. While the interim guidance describes possible factors for evaluating applications, such as transportation network integration, organizational capacity, thoroughness of management plans, and reasonableness of project completion schedules, these factors are largely qualitative. Without more quantitative metrics and specific grant-related regulations, FRA cannot be sure that its award decisions are based on sound ridership and revenue forecasts, public benefits valuations, and operating cost estimates. operating cost estimates. Moreover, it cannot ensure that its investments are based on competing projects' relative value.

Promulgating effective grant-related rules and finalizing a viable national rail are no easy tasks, and FRA appears to be working hard to take these responsibilities head on. However, until the rules and plan are completed FRA cannot provide sound assessments of the net benefits of its high-speed rail investments.

Mr. Chairman, this concludes my prepared statement. I'm happy to answer any questions you or other subcommittee members may have. Thank you.

[The prepared statement of Mr. Behm follows:]

PREPARED STATEMENT OF MITCHELL BEHM, ASSISTANT INSPECTOR GENERAL FOR RAIL, MARITIME AND ECONOMIC ANALYSIS, U.S. DEPARTMENT OF TRANSPORTATION

Mr. Chairman and members of the Committee,

Thank you for inviting me here today to discuss the implementation of the Passenger Rail Investment and Improvement Act (PRIIA). As you know, PRIIA greatly expanded the Federal Railroad Administration's (FRA) role and tasked it with numerous significant responsibilities, including the creation of a High-Speed Intercity Passenger Rail (HSIPR) grant program and development of a National Rail Plan, which according to FRA would provide a blueprint for an efficient national system of passenger and freight rail corridors. In April 2010, we testified that this expanded role presented several challenges for FRA, including the development of policies to guide grant programs and the hiring of adequate staff to oversee implementation.[1] The difficulty of these challenges has been exacerbated by the accelerated timelines and additional funding provided by the American Recovery and Reinvestment Act of 2009 (ARRA).

My testimony today focuses on (1) FRA's progress in meeting its PRIIA responsibilities, and (2) the challenges FRA continues to face in the expansion and improvement of intercity passenger rail. My testimony is based on our recent and ongoing work related to PRIIA, FRA, and rail issues in general.

**In Summary**

FRA has made progress in meeting many of its responsibilities outlined in PRIIA. Most notably, FRA has made significant progress on requirements intended to improve its oversight of Amtrak. However, FRA has yet to complete its implementation of other PRIIA provisions, including finalization of rules that will provide specific guidance to HSIPR grant applicants in areas such as the forecasting of high speed rail projects' net benefits.

Delays in the implementation of certain PRIIA provisions—particularly the final National Rail Plan—significantly challenge FRA's ability to improve and expand intercity passenger rail. Without a final Plan, other PRIIA requirements cannot be completed and stakeholders' roles are uncertain. Furthermore, FRA has obligated more than half of its $10 billion HSIPR grant program budget for dozens of projects without providing applicants detailed guidance on how to prepare reasonable and reliable ridership and revenue forecasts, public benefits valuations, and operating cost estimates. As a result, FRA cannot be sure that it based these awards on the relative value of competing projects, or that its high-speed rail investments are prudent.

**Background**

PRIIA, the first passenger rail authorization in 11 years, tasks Amtrak, the Department of Transportation, FRA, the States, and other stakeholders with improvements to rail service, operations, and facilities. PRIIA focuses on intercity passenger rail, including Amtrak's long-distance routes and the Northeast Corridor (NEC), State-sponsored corridors throughout the Nation, and the development of designated high-speed rail corridors.

With its numerous responsibilities for FRA, PRIIA has dramatically expanded the scope of the Agency's role. Historically, FRA's role has been limited primarily to the promulgation of railroad safety regulations, administration of several small grant and loan programs, oversight of Amtrak's operations, and disbursement of Amtrak's annual grant funds. PRIIA also calls for FRA to lead multiple new passenger rail service enhancement initiatives, and to develop from the ground up a multi-billion dollar high-speed rail discretionary grant program. PRIIA also enhanced FRA's Amtrak oversight role.

FRA's new responsibilities under PRIIA took on additional significance when ARRA provided $8 billion to FRA and accelerated the timelines for the development of discretionary grant programs to jump start the development of high-speed rail corridors and enhance intercity passenger rail service.

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[1] DOT OIG Testimony, "Federal Railroad Administration Faces Challenges in Carrying Out Expanded Role." CC 2010–050, April 29, 2010. OIG reports and testimony are available on our website: *www.oig.dot.gov*.

**FRA Has Made Progress Implementing PRIIA Requirements, But Key Responsibilities Have Yet To Be Completed**

FRA has made significant progress implementing most of the 29 responsibilities PRIIA required. Specifically, FRA has completed 9 of its responsibilities, and taken action on 16 more, including some key requirements we've identified. Finally, FRA has not started on 4 responsibilities. Table 1 shows the status of FRA's efforts.

Table 1. Status of FRA's PRIIA Responsibilities

[as of September 6, 2011]

| PRIIA Section | FRA Responsibility | Status |
|---|---|---|
| § 206 | Review and approve Amtrak's grant requests | • |
| § 207 | Develop new or improve existing metrics and minimum standards | • |
| § 207 | Collect data and publish quarterly reports on performance and service quality | ⊙ |
| § 208 | Obtain a qualified independent entity to develop and recommend objective methodologies for Amtrak Route decisions | ⊙ |
| § 210 | Monitor the development, implementation, and outcome of Amtrak's improvement plans | ⊙ |
| § 211 | Review and approve Amtrak's Capital Plan | • |
| § 212 | Establish an NEC Infrastructure and Operations Advisory Commission | • |
| § 212 | Establish an NEC Safety Committee | ⊙ |
| § 214 | Complete a rulemaking to develop a pilot passenger rail program | ⊙ |
| § 215 | Develop an employee transition assistance program for Amtrak employees | ○ |
| § 220 | Monitor and conduct periodic reviews of Amtrak's compliance with both ADA and ARRA | ⊙ |
| § 224 | Submit reports on high-speed rail corridor service studies to Congress | ○ |
| § 224 | Establish a process for designation and extension of corridors | ○ |
| § 301 | Make grants to assist in financing the capital costs necessary to provide or improve intercity passenger rail transportation | • |
| § 301 | Issue a final rule establishing application and qualification procedures for intercity passenger rail grants | ⊙ |
| § 302 | Make grants to assist in financing the capital costs for high priority rail corridor projects to reduce congestion or facilitate ridership growth | • |
| § 303 | Establish minimum requirements for the preparation and periodic revision of State rail plans | ⊙ |
| § 304 | Select and approve a new rail tunnel alignment in Baltimore and ensure completion of the related environmental review process | ⊙ |
| § 306 | Establish and carry out a rail cooperative research program | ⊙ |
| § 307 | Develop a long-range national rail plan | ⊙ |
| § 307 | Develop a schedule for achieving specific, measurable performance goals | ○ |
| § 404 | Report to Congress the results of a study to determine the extent to which railroads could use bio-fuels as alternatives to diesel | ⊙ |
| § 405 | Report to Congress the results of a feasibility study on the use of readily biodegradable lubricants for railroads | ⊙ |
| § 406 | Establish procedures and/or facilities for preclearance of passengers traveling from the U.S. to Canada | • |
| § 407 | Report to Congress on the results of a study and actions to streamline compliance with historic preservation requirements and on actions to expedite decisionmaking for capital projects involving properties of disputed historical significance in the States of Alaska and North Carolina | ⊙ |
| § 501 | Make grants to finance capital projects in designated high-speed rail corridors | • |
| § 501 | Issue regulations for the high-speed rail corridor program | ⊙ |
| § 502 | Issue a request for proposals for projects in any of the 10 designated high-speed rail corridors or the Northeast Corridor | • |
| § 502 | Evaluate high-speed rail corridor proposals | ⊙ |

• Completed
⊙ In Progress
○ Not Started
Source: OIG analysis.

FRA has made significant progress implementing PRIIA provisions related to Amtrak oversight. Specifically, FRA has met its responsibilities to:

- review and approve Amtrak's grant request;

- develop metrics and minimum standards for measuring the performance and service quality of intercity passenger train service;
- review and approve Amtrak's Capital Plan; and
- establish the Northeast Corridor Infrastructure and Operations Advisory Commission.

FRA has also made progress on PRIIA's other Amtrak oversight provisions: quarterly reports on performance and service quality of intercity passenger train operations; monitoring of the development, implementation, and outcome of Amtrak's improvement plans for long-distance routes; establishment of a Northeast Corridor Safety Committee; and the monitoring and periodic reviews of Amtrak's compliance with the Americans with Disabilities Act and the Rehabilitation Act.

FRA met PRIIA's October 2009 deadline to complete a Preliminary National Rail Plan, but has yet to complete the final National Rail Plan. Although PRIIA does not impose a deadline for the final Plans' completion, the Consolidated Appropriations Act for Fiscal Year 2010 required the Secretary of Transportation to submit the Plan to Congress no later than September 15, 2010.

Furthermore, FRA has yet to promulgate three rulemakings required by PRIIA, and the deadlines for each have passed. One rule would establish a pilot program for alternative passenger rail service on routes currently operated by Amtrak, and two would govern HSIPR grant programs. In June 2009, FRA issued interim guidance for HSIPR grant program procedures, as required by ARRA, including guidance on the preparation of analyses, such as revenue forecasts, operating and maintenance cost estimates, and estimates of user and non-user benefits for HSIPR grant applicants. FRA is also required to implement 17 separate rulemakings, such as specifications for Positive Train Control and hours of service for railroad operations employees, as a result of the Rail Safety Improvement Act, which was passed at the same time as PRIIA.

According to a senior FRA official, the PRIIA-required rules have been delayed because the Agency focused on safety-related rulemakings, consistent with the Administration's priorities. Agency officials also stated that FRA's limited workforce capacity has affected its ability to issue rulemakings. Our work confirms that the rulemaking process is long and complicated. The officials informed us that they plan to issue a single, comprehensive rulemaking covering PRIIA's rules for governing the HSIPR grant program (Secs. 301, 302, and 501) once all of the funds appropriated in Fiscal Years 2009 and 2010 and under ARRA have been awarded. The officials further stated that this timing will allow the Agency to incorporate into the rulemaking lessons learned from the first rounds of grants.

**Delays in Completing Certain PRIIA Requirements Create Challenges to Expanding and Improving Intercity Passenger Rail**

Delays in the completion of certain PRIIA requirements—particularly the National Rail Plan—have created a number of challenges for FRA. Without a final National Rail Plan, other requirements cannot be completed, and public and private sector stakeholders' roles are uncertain. Also, the lack of important grant-related regulations for application procedures and qualification requirements could result in potential grantees' use of a variety of methodologies in the development of their applications.

*Performance and Progress Measures Cannot Be Completed and the Role of Stakeholders Remains Uncertain Without a Final National Rail Plan*

According to FRA, a final National Rail Plan would be the basis for the completion of other PRIIA requirements, including a process for the designation and extension of high speed rail corridors, and could also define the roles of public and private stakeholders. The lack of a final plan has also delayed FRA efforts to satisfy PRIIA requirements to develop a schedule for achieving specific, measurable performance goals that include estimated funds and staff resources needed to accomplish each goal.

A final National Rail Plan is also expected to provide a blueprint for interstate rail corridors to guide States' intercity passenger rail plans. Both the preliminary plan and FRA's progress report on the final plan—issued in September 2010—lack measurable goals to guide the States' plans. For example, one goal in the progress report is the establishment of community connections with high-speed and intercity passenger rail in areas where population densities and competitive trip times create markets. However, FRA did not define criteria that States can use to identify population densities and trip times that characterize high-speed and intercity passenger rail markets.

At the same time, it is unknown what roles various stakeholders will play. Although FRA's September 2010 progress report states that successful implementation of high-speed intercity passenger rail requires participation of a number of industry stakeholders, from equipment manufacturers to service operators, it does not provide specifics about what their roles will be. Rail industry stakeholders have expressed optimism about increased public investment in intercity passenger rail, but without a final plan there is uncertainty about how effectively private stakeholders can participate in the intercity passenger rail market. The Government Accountability Office has reported that Federal guidance on the role of stakeholders could help provide structure to the intercity passenger rail market.[2]

*Final Regulations Governing HSIPR Would Guide Assessments of the Investments' Net Benefits*

As of August 2011, FRA had obligated more than half of its approximately $10 billion capital grant program budget on the basis of its interim guidance, which was developed under tight timeframes. Specifically, the Agency has obligated $7.4 billion to 102 projects without important grant-related regulations for application procedures and qualification requirements. While the interim guidance describes possible factors for the evaluation of applications—such as transportation network integration, organizational capacity, thoroughness of management plans, and reasonableness of project completion schedules—these factors are largely qualitative. This interim guidance also does not provide information on how these metrics should be weighted, increasing the subjectivity of the evaluation process. Without more quantitative metrics and specific grant-related regulations, FRA cannot be sure that its award decisions are based on sound ridership and revenue forecasts, public benefits valuations, and operating cost estimates. Moreover, it cannot ensure that its investments are based on competing projects' relative value.

**Conclusion**

With the passage of PRIIA, FRA was given the daunting task of overseeing the implementation of the Nation's high-speed rail system—at a time when a myriad of programs and projects vie for limited Federal dollars. While FRA has made notable progress in carrying out its expanded responsibilities with limited resources, finalizing the National Rail Plan and grant-related rules is critical to ensuring viable intercity rail plans, interstate cooperation, and sound assessments of the net benefits of high-speed rail investments.

Senator LAUTENBERG. Thank you very much.

Mr. Boardman, as part of the Fiscal Year 2012 budget request, Amtrak included funding to begin design on the Gateway Tunnel project. At the same time, Amtrak has been achieving record ridership levels. Now, what will be the effect expected if the Gateway Tunnel gets going and gets completed? What can it mean to future ridership for Amtrak?

Mr. BOARDMAN. I think it's not just Amtrak ridership, Mr. Chairman, that we're really talking about here, as I tried to relate a little bit earlier. It's ridership especially from that little State of New Jersey that needs to go across the river into its suburb of New York.

But the ability to actually get more trains into Penn Station is absolutely critical, because more people want to get into Manhattan and back to New Jersey. In order to do that, you have to have a place to put the commuter trains. New Jersey Transit has not been able to have a station in New York to actually park its trains and to go back out again.

So the critical piece is getting the tunnels, which gives us a redundancy between both the normal Amtrak services back and forth, and especially the new high-speed coming back and forth between Boston and Washington. But it also gives us a place to get

[2] GAO Report, "High Speed Rail: Learning From Service Startups, Prospects for Increased Investment, and Federal Oversight Plans" GAO–10–625, June 17, 2010.

the commuter trains out of the way for the increase in service and speed that needs to go through Penn Station itself.

If we're not going to move forward with that, we're going to run out of capacity on the Northeast Corridor relatively soon. Within less than 20 years, there will be no additional capacity. So for all of those that believe that they can add more trains either south or north of New York, they'll not be able to because it'll be dictated by the bottleneck of the tunnels and the service area in Penn Station.

Senator LAUTENBERG. So are you saying that the tunnel, if completed, will not produce the kind of efficiencies without having the new station built as well?

Mr. BOARDMAN. It'll improve efficiencies and speed. But the problem inside—it's kind of connected together. It's that Block 780 that's in Penn Station itself. Let me give you the example, I think, the analogy. Back when Long Island Railroad really wanted to improve the service in Penn Station, they built the huge West Side Yards. So when they come through the four eastern tunnels, they come into the station, they dwell a very short period of time, and they go store their trains to the west. That means that they don't have to go back through the tunnels again in order to increase the number of people coming in.

The problem exists for New Jersey Transit as well and for Amtrak, but New Jersey Transit primarily, as they come through the two tubes that we have today and then they have to go back through those same tubes, which ties up the station. But as you have four tubes, four tunnels——

Senator LAUTENBERG. Before we run out of time, the question now, as it developed is whether or not these are symbiotic things, whether a new terminal has to be built in order to maximize the efficiency of the tunnel.

Mr. BOARDMAN. That's the right question.

Senator LAUTENBERG. But, Mr. Boardman, the problem that we have to face is, will we gain enough if we just look at the first phase, which is the tunnel?

Mr. BOARDMAN. Yes.

Senator LAUTENBERG. Does that do anything with the present structure? And you know very well that Penn Station, New York, for everybody's information, carries more people in a day than three major airports, Newark, JFK, and LaGuardia. It's incredible the number of people that are forced to go through that space.

Mr. BOARDMAN. The answer is yes, but I want both.

Senator LAUTENBERG. So that's two of us. Now where do we go? Anyway, thanks, Mr. Boardman.

Senator Udall, you have some questions? Please.

Senator UDALL. Thank you, Senator Lautenberg. I really appreciate you doing this hearing.

Mr. Szabo, back to my opening statement and why no high-speed rail corridor exists in the Southwest. Could you explain the process for determining the locations of the corridors and is there a possibility for inclusion of additional corridors in the future?

Mr. SZABO. I think the important thing to do is to go back to my testimony when I was talking about the growth of the mega-regions. Clearly, the region that you're talking about is one of those identified mega-regions where you are going to see substantial population growth and where there will be the need for alternatives like passenger rail.

The process for creating the high-speed rail corridors comes from a decade-ago legislation that basically was to have grade crossing protection dollars available to those particular corridors. So it's something that, frankly, is evolving as we grow this high-speed rail program to take on a new and different meaning.

When we release the national rail plan, quite frankly, it's going to put these designations—make them—render them moot. So as far as the ability for your region to be a part of the plan, it will be based on the good planning done by the States in cooperation with our FRA staff, and showing the ridership capacity of those particular markets that you're talking about. There will be no reason, with good planning, why there shouldn't be the opportunity for those to move forward.

Senator UDALL. That's good to hear, because I know that just a couple of years ago there was interest by the States. Both Texas and New Mexico and Colorado all showed an interest, in terms of writing to the administration and urging that there be some kind of corridor. So that's very, very encouraging. I appreciate that.

I wanted to ask you—as you well know, and I think you said this in your opening statement, President Obama has made high-speed rail a cornerstone of this administration, with the goal of providing high-speed rail service to 80 percent of Americans within 25 years. What percent of Americans currently have access to rail and what percentage of Americans are projected to have access upon the completion of the projects funded by ARRA and PRIIA grants?

Mr. SZABO. We'll have to get back to you for the record with an answer to that.

[The information referred to follows:]

Approximately 70 percent of Americans currently have access to intercity passenger rail. With the exception of new services being introduced to connect Iowa City to Chicago and Brunswick, Maine to the Boston-Portland corridor—connecting an additional 550,000 Americans to passenger rail—all of the current American Recovery and Reinvestment Act of 2009 and FY 2010 Department of Transportation and Related Agencies Appropriations Act funded investments are improving existing corridors (or, in California, supporting development of a high-speed corridor that will serve most of the same communities as currently served by existing conventional corridors). The corridors receiving capital investments from the High-Speed Intercity Passenger Rail (HSIPR) program cumulatively serve approximately 44 percent of Americans.

Senator UDALL. OK. Well, I'd very much appreciate you doing that.

Mr. Boardman, I wanted to ask a little bit about the impact of privatizing Amtrak's NEC. Amtrak's two long distance routes in New Mexico, the Sunset and the Southwest Chief, play a crucial role in connecting communities, especially in my rural State of New Mexico. These trains provide much-needed efficient transportation for communities and tourists throughout New Mexico. In addition to serving passengers in five New Mexico cities, every year the Southwest Chief also transports Boy Scouts from my State and across America to Raton, New Mexico, to attend the Philmont Scout Ranch, where they camp and train in 137,000 acres of high adventure wilderness in the Sangre de Cristo Mountains.

I'm concerned by the current proposals to make drastic changes to Amtrak, most notably to separate the Northeast Corridor from the rest of the Amtrak system. How would transferring the Northeast Corridor's title and assets impact Amtrak's long distance routes and would Amtrak's long distance routes, such as the Sunset and Southwest Chief, be able to continue service at the same level?

Mr. BOARDMAN. I think it's a difficult question to answer in the time that's given, but let me go at it this way. There are three critical pieces that Amtrak needs—services that Amtrak provides: the Acela service and its cousin, the Regional operation in the Northeast Corridor; the long distance trains; and the State corridors that feed much of the system itself.

One of the things I thought about as we really looked at what the House mark was by taking away all the State services, which is in effect what the plan would do by eliminating any Federal support of State service, it's almost half the service that Amtrak operates. As you talked to Administrator Szabo a couple of minutes ago about the potential for high-speed rail or no rail at all in the Front Range service that was talked about from Cheyenne all the way down through New Mexico in the past, the critical piece is to keep the current service to begin with.

The service right now is in jeopardy in a lot of ways, the long distance trains, for things that are happening to us that we have no control over. For example, at Raton, if you remember, BNSF recently was going to abandon that particular section all the way over to Trinidad. And we resisted that. We said, we're not going to move down to the Transcon Corridor. Instead, we'll stay where we are at this point in time.

So part of the difficulty that we're having here today is to understand we need to maintain—and you correctly pointed it out—the connectivity, the Southwest Chief and the Sunset Limited, in order to be connected to the rest of the country. And yet the Southwest Chief is one of the highest-cost services for Amtrak to operate. Everybody believes it might be the Sunset Limited, but the fact is, because we have an excellent railroad, BNSF, that provides us with more timely service more often than anybody else, they receive more performance bonuses as a result.

So if you were to look at it purely in terms of which one costs the most, the first long distance train that would go would be the Southwest Chief, and yet it's one of the best routes we have for connectivity.

I spent a couple of days in Denver in this past flood season and heard and listened to people who said that Denver might be a hub for that whole area, including the Front Range service. Your real question is the Northeast Corridor and the privatization of it. It has a different answer, but the part of the answer that relates to what we're talking about is again that connectivity. You don't get to the 30 million riders that Ted talked about a few minutes ago without having a place for people to go and a seamless way for them to connect.

Senator UDALL. Thank you.

Chairman Lautenberg, I appreciate your courtesies on the time and running over a little bit. Thank you very much.

Senator LAUTENBERG. Not at all. You can choose to stay, if you have other questions. Otherwise, as you know, the record will be open and you can submit questions in writing.

Senator UDALL. Thank you.

Senator LAUTENBERG. Mr. Szabo, last Thursday night, President Obama called for increased investment in passenger rail as part of the American Jobs Act. Yet House Republicans last week voted dramatically decreased funding, including a 60 percent cut in Amtrak's operating budget. What kind of a price will we pay for jobs, economic competitiveness, if this continues as they propose?

Mr. SZABO. I think it's important to note—and I believe I stated this in my opening testimony—that congestion today is costing families and businesses, and our economy nearly $130 billion each year. We're wasting around 4 billion gallons of fuel every year because of congestion. Families are also wasting roughly 5 billion hours annually because of congestion. That's the cost to our economy today.

We've got to start building now to address the future, because by the year 2050 we're going to have another 100 million people in our country. To put that 100 million people into perspective, that's like the population of another California, Florida, Texas, and New York all combined. Again, as I stated in my testimony, the vast majority of this is going to be concentrated in the mega-regions where you're seeing the population growth today.

So this congestion that is already costing us nearly $130 billion a year is just going to get substantially worse. We have to start providing travel alternatives to our citizens. We have to find ways to better balance our transportation networks so we're able to use the mode that's most efficient for a particular journey. When you have sufficient population densities in radiuses of 500 to 600 miles, when measured by fuel consumption, poisonous emissions, the consumption of land, passenger rail is simply the most efficient mode of transportation. So it has to be part of the mix.

Senator LAUTENBERG. Thank you.

Mr. Boardman, House Republicans have also proposed eliminating State-supported Amtrak service. What happens if you do that? What impact will that have on Amtrak's ability to continue support for passenger rail service across the country?

Mr. BOARDMAN. We had a policy in PRIIA and it was the section 209 policy that was established. It wasn't a dictated policy that you go out to the States and say: This is what you're going to pay. It was a negotiation, a discussion about the fact that there were costs. The States will cover all of our direct costs, all our labor costs, all our fuel costs, those kinds of questions, but how much more of the service's costs to the country, to Amtrak, do the States need to pick up? It's a significant amount.

It's not every nickel that you're going to drain out of the States to make this work. But over time the States need to be paying for their service. And they all recognize that. So we've been moving in that direction and it's out right now for a vote by the States.

But in their wisdom, there was a decision made that, by October 1, if it were to pass, we would cutoff the States entirely, without any compassion and understanding of the people that needed to get to work or to a doctor's office. Forty-two percent of our passengers with disabilities who traveled on Amtrak last year rode long distance trains, so a significant portion rode the State trains. It's a lot easier for them to use our trains than it is to use another mode of transportation. And there is no other mode on the surface of the United States that connects the country together like rail, none.

Senator LAUTENBERG. Why is it so hard to convince people of that? It's a mystery.

Earlier this year, the House Republicans released a proposal to fully privatize the Northeast Corridor. In New Jersey, the corridor is a vital component of our transportation network, providing access for hundreds of thousands of commuters using Amtrak and New Jersey Transit every day. If this proposal moves forward, what might the potential impacts be to commuter service on the Northeast Corridor?

Mr. BOARDMAN. I think, Mr. Chairman, that there are two huge risks here that are not well understood, and yet they should be. The first is safety, and I know Senator Toomey's gone now, and he talked about positive train control and I'm strongly supportive of positive train control and Amtrak will meet that requirement by 2012. And we recognize that there are going to be difficulties for others to meet that, and we're aware of that and we'll deal with it.

But safety itself—there are many parts of the world that are not paying attention to safety like America pays attention to safety, for example China, and recently their high-speed trains that were 220 miles an hour have been reduced to 186 miles an hour, and that was because they had problems in construction. They may reduce it again with the recent derailment that they had. Britain tried a privatization model, then changed, but they didn't change until there was significant loss of life.

So what I see is safety, which is a huge issue, and those models that one talks about are generally all foreign models, models that don't deal with the facts of the Northeast Corridor. I think there's a huge risk for safety as we apply our facts to somebody else's model or vice versa. We know what our facts are and we are improving the Northeast Corridor.

The second risk is environmental. Many of the communities around the world, other countries around the world, don't pay attention to the needs and the rights that people have or to look at what would happen environmentally. So it takes us longer in many cases to get the job done. So I see those as two huge risks.

Senator LAUTENBERG. As I see our plans developing, I'm reminded of my personal situation, where I take the train regularly from Washington to New Jersey and vice versa. And I wonder whether there would be a significant discount if I bought a 20-year pass on the railroad?

[Laughter.]

Mr. BOARDMAN. No, but we can guarantee it wouldn't shake any longer.

Senator LAUTENBERG. Mr. Boardman has heard my complaints about trying to write on the train as I ride. I don't want people to see that shaky handwriting. That has to do with age, not with me.

[Laughter.]

Senator LAUTENBERG. Mr. Alves, recently Amtrak selected a consultant to develop a business plan for high- speed rail on the Northeast Corridor that will attract more private investment while maintaining Amtrak's control over the corridor. What impact might this kind of a business plan have on Amtrak's bottom line?

One of the things that we never really discuss is what's the net result of these things, can it help Amtrak get on a solid footing where each year doesn't bring more indebtedness. What can happen on the private sector side when Amtrak insists on maintaining its control, because we know very well that one of the great fears—and we've seen this in other countries—is that, given the opportunity not only to invest, but also, frankly, to manage direct policy, there's a conflict that immediately can creep in there between getting a better return on their investment for the investors, and the need to be able to carry passengers at a reasonable rate.

Mr. ALVES. We are very supportive of Amtrak's efforts to involve the private sector. Because we haven't done work on Amtrak's efforts to attract private investment, I'm not in a position to be able to comment on the results of that. But beyond that piece of your question, I think you're asking an important question about Amtrak's ability to operate efficiently and effectively and provide high quality service. Amtrak, under Joe Boardman's leadership and under the Board of Directors' leadership, is making significant improvements in the operations of the business and trying to operate the business like a business.

Improved customer service is a critical and important strategic goal that Amtrak has identified. Operating as a business and improving financial results are goals.

Amtrak is about to complete a strategic plan that identifies those strategic goals and makes some major changes to the way the company is organized and directed. So without rambling on and on, I would say that Amtrak has the potential to operate more efficiently than it does today. They're heading in the right direction to do that and at the same time provide good customer service.

Senator LAUTENBERG. But what this gets to is what can possibly be imagined here that an investor would expect to get in return, and is it likely that an investor would put up the resources without demanding tighter control over operations, let's say, of the railroad?

Mr. ALVES. I'm going to have to defer that one to Joe Boardman, who's in a better position to answer than I am.

Mr. BOARDMAN. It's a question I think we've started to ask ourselves, Senator. We know that no one would come in here to do anything without Amtrak as a partner, regardless of what you may hear. I often ride on the head end of our trains, an Acela, up with the locomotive engineer. It was shortly after the privatization issue came out and there was the typical worrying, and I said to him, because I think it's important that we not get distracted from the work we've got to get done: What are you worried about? He said, "well, will I have my job? "I said: Who's going to run this train? Whoever owns it, they can call Amtrak peanut butter, you're the one who's going to operate this train, and Amtrak's going to run the train. The Amtrak people, the women and men of Amtrak, are those who are going to get the job done.

So Amtrak is a key partner. They understand, going back to what I said earlier, the facts of this corridor. We're trying to figure out ourselves that all this discussion of privatization—we have lots of people that are interested. What are they interested in? Are they interested in running trains? We don't really think so.

Senator LAUTENBERG. I spent a lot of time in the business world. Miss it on paydays, but other than that I like being here better. The question is whether or not there are going to be demands made in fairness on the agreements, the contracts, that say, OK, we the investors reserve a right that if Amtrak doesn't do this, that, or another thing, the way we think it should be done, we reserve the right to come in and manage it and control it.

Mr. BOARDMAN. I understand those may be some of the things that we'll face and have to deal with.

Senator LAUTENBERG. Certainly in my view it could very significantly raise the question about, what's the return likely to be?

Mr. BOARDMAN. Right. I think that part of the return, where we're seeing about a billion dollars, at least in the initial study, and we're refining that study, as revenue in excess of what it takes to run the operation. Now we're looking at excess revenue as paying for the capital investment, like the 70 electric locomotives that we just purchased with debt from the FRA, from the RIF program.

Those dollars then are not available to put into helping subsidize the long distance trains, where we're not receiving enough funding to maintain them.

So all of those funding levels will shift differently and there will be an expectation by any investor that there will be a return that comes from those kinds of operations for the future, along with any other development potential. I don't remember what the French told us. We had two peer organizations look at the plans and they thought we were maybe estimating a little less than we should be for revenue and a little more in terms of costs than we should be. But they have a significant amount, percentage of revenue, that doesn't come from train operations. It comes from other activity. I don't remember what that percentage is.

But all of those are things that we're going to be asking this study to help us identify.

Senator LAUTENBERG. I'm going to close this hearing, thanking all four of you for your presentations today, but also for your interest. I make a strong personal commitment here. Since I have been in the Senate, now 27 years, I have worked as hard as I could to help Amtrak become a more efficient, more competitive avenue of transportation than we presently have with automobiles or airplanes.

If we could, it was once mused about that maybe one day we could have a 90-minute ride from Washington, D.C., to New York. Mr. Boardman, you talked about that. If that could ever be, the efficiencies that could be gained, it would relieve room in the sky because the shuttles that now are employed for short distances are really the most efficient way to travel. The highways, everybody knows they should be called "slow ways" and not "highways."

But the one thing that all of us here who have an interest have to maintain is our determination to fight against these reckless cuts that are done without understanding what the consequences may be. It sounds good in political wordsmithing, but it doesn't work when you think about it. We are such an advanced country in so many ways. I remember when the highway system was developed in the 50s with President Eisenhower, and there were several unintended consequences. Number one is that we didn't allow room with which to build more of these systems.

Second, that we built it for—and Mr. Szabo I think mentioned something that I talk about frequently, and that is the incredible growth in population that we've seen. In the last 40 years we grew by more than 100 million and the next 100 million is going to come in a much shorter period.

So here we have a system that was fundamentally established in the 50s. What the population was, we can guess but it was a heck of a lot less than we have now. And we have more cars coming to the road, and we don't want to stop personal use of automobiles, but how much of the Earth's surface can we use? How much of the air can we spoil? How much of the time can we lose?

We've got to think about these things, and I don't know how we drill this into the skeptics any harder than we do, but we've got to keep on doing it.

And I thank you all for your interest, and we're going to continue this battle together. Thank you very much.

[Whereupon, at 11:10 a.m., the hearing was adjourned.]

# A P P E N D I X

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. MARIA CANTWELL TO HON. JOSEPH C. SZABO

*Question.* Mr. Szabo, as you know, in my home state of Washington, we've had our Amtrak Cascades rail service operating as a partnership between Amtrak, Washington and Oregon for many years. If the provision included in the House FY2012 Transportation-HUD Appropriations Act, which would prohibit Federal Amtrak funding on state-supported routes, passes into law, there will be significant changes to how Amtrak Cascades operates in Washington—including immediately eliminating one of four daily round-trips between Seattle and Portland.

At the same time, the Washington State Department of Transportation (WSDOT) has begun investing $781 million in the Pacific Northwest Rail Corridor to build new track, reduce delays, improve reliability and on-time performance, and eventually add two daily round-trips between Seattle and Portland. Funded through high-speed rail grants administered by the Federal Railroad Administration, these upgrades are possible due to recent agreements signed by our state DOT, Amtrak, Sound Transit and BNSF Railway.

- What would the effect of the House language, which would undermine the current agreed-upon Amtrak Cascades service outcome levels, be on the agreements required by FRA and signed by WSDOT, BNSF and Amtrak for the obligation of high-speed rail money in Washington state?
- How would this affect agreements related to the obligation of high-speed rail money nationwide?

Answer. The proposed language in the House version of the FY2012 Transportation-HUD Appropriations Act that would prohibit Federal Amtrak funding on state-supported routes would have an effect on service outcome agreements signed by High-Speed Intercity Passenger Rail Program grantees and stakeholders. The agreements for all HSIPR projects assume continuing existing passenger rail service and tie the investments to improved service and benefits on top of the existing service. If the House language was implemented, approximately $13 million per year in operating subsidies would be needed in order to continue existing service and approximately $7—$11 million on top of that would be needed for improved service after the completion of the HSIPR funded project.

However, the final FY2012 Transportation-HUD Appropriations Act, signed into law by the president on November 18, did not include the language that would prohibit Federal Amtrak funding on state-supported routes and thus there will be no effect on the Pacific Northwest Rail Corridor high-speed rail project or any other high-speed rail projects nationwide.

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RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. FRANK R. LAUTENBERG TO HON. JOSEPH C. SZABO

*Question.* Due to costs and technology implementation concerns, railroads—particularly commuter rail—are having difficulty meeting the 2015 requirement to install Positive Train Control. Yet the Administration's current budget proposes no funding for the grant program that helps railroads prepare. With the 2015 deadline looming, what is the Administration doing to help cash-strapped commuter railroads meet this mandate?

Answer. The level of funding required by the commuter railroads to implement Positive Train Control (PTC) on their systems exceeds the funds authorized by the Rail Safety Improvement Act of 2008 (RSIA) to advance "the deployment of train control technologies, train control component technologies, processor-based technologies, electronically controlled pneumatic brakes, rail integrity inspection systems, rail integrity warning systems, switch position indicators and monitors, remote control power switch technologies, track integrity circuit technologies, and other new or novel railroad safety technology." [2] The Administration's Fiscal Year 2012 Budget Request did propose $50 million in Railroad Safety Technology Grants (RSTG) within the Capacity Building & Transition Assistance program in the Network Development component of the National High Performance Rail System. The budget request indicated that this level of funding would help identify common issues and solutions that will facilitate national deployment of PTC.

The RSTG Program was authorized through RSIA at $50 million each year between 2009 and 2013, but only $50 million has been appropriated.

- Even if all the funds authorized under this program were available, and dedicated solely as direct grants for PTC system implementation on commuter railroads, the $250 million total amount would not satisfy the total financial requirements of the commuter railroads.
- In Fiscal Year (FY) 2010, FRA had more than $230 million in grant applications for the $50 million in appropriated funds—providing evidence that the demand for such resources is much higher than the funds available.

In allocating the $50 million appropriated, FRA identified a number of PTC technical issues that are common to all railroads (both commuter and freight) that impact PTC implementation, and elected to use the funds to address these shared issues. Some of the common hardware and software developmental issues are interoperability in a high-speed rail environment, limited shared communications in a single high-density infrastructure, security and identity management standards, and a rapid and reliable track database verification system. By doing so, FRA hopes to leverage the appropriated funds to gain the following:

- Greater understanding regarding limited shared communications in a single high-density infrastructure.
- Design work on Electronic Train Management System/Interoperable Electronic Train Management System (I–ETMS) and Advanced Civil Speed Enforcement System (ACSES)/Advanced Speed Enforcement System interoperability.
- Security and identity management standards.
- A rapid and sufficiently reliable track database verification system.
- Validated ACSES standards.
- A line safety and security risk route evaluation tool.
- A 220 MHz PTC radio design and small scale production units.
- Verification that I–ETMS will operate in a high-speed rail environment (above 125 mph).
- Limited analog to digital communications infrastructure upgrade (with lessons learned).

FRA is attempting to reduce the engineering efforts required of the commuter railroads by:

- Issuing "Type Approvals" for PTC system configurations. Commuter railroads using the previous type-approved systems eliminates the need for them to reproduce certain complex safety documents.
- Providing commuter railroads access to technical data being funded as part of the RSTG Program.

FRA is working closely with the Federal Communications Commission to determine if communications spectrum can possibly be reallocated from existing license holders to address the spectrum needs of the commuter railroads. Such a reallocation, however, has significant adverse costs and programmatic implications to the existing license holders. Spectrum is a scarce resource, and because of the limited spectrum availability, supporting the commuter railroads may potentially result in simply transferring the problem to another set of authorized spectrum users.

Commuter railroads may also potentially qualify for a loan or loan guarantee under the FRA Railroad Rehabilitation and Improvement Financing Program (RRIF). FRA is authorized to provide direct loans and loan guarantees up to $35 billion. Direct loans may fund up to 100 percent of a railroad project, with repayment periods of up to 35 years. FRA has no active RRIF applications from commuter railroads for PTC projects at this time.

[2] See 49 U.S.C. 20158(a).

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. CLAIRE MCCASKILL TO HON. JOSEPH C. SZABO

*Question 1.* There was tremendous difficulty in getting high speed rail grant awards obligated in Missouri because of performance and on-time metrics that the Federal Railroad Administration (FRA) added after the awards had gone out. In one case, it took over a year to have FRA, the Missouri Department of Transportation and Union Pacific come to an agreement on the metrics, meaning that we lost valuable time in getting the projects started. These projects create jobs and will improve the ability to move more passenger trains in my state. I recognize that FRA had a lot on its plate with the amount of rail projects that were awarded and that it wants to ensure the money is spent correctly. I admire the agency's diligence in doing so. But the coordination on the metric requirements was poor and it took far too long to resolve. Going forward on future rail projects, it is important that all parties get on the same page before award decisions are made. How can we improve this coordination between the FRA, the states and the rail companies that own the lines? Is there more information that FRA needs beforehand from the other parties that would streamline this process?

Answer. The High-Speed Intercity Passenger Rail (HSIPR) program has created new relationships between FRA and the States and between the public sector and the private sector railroads. Each of the parties had to learn somewhat new roles, responsibilities and expectations. I believe that much of the concern expressed behind your question has been addressed as we have successfully entered into agreements with the States, and the States have entered into agreements with the railroads, that have permitted FRA to obligate essentially all of the HSIPR funding made available under the American Recovery and Reinvestment Act. Since HSIPR was a new program, many States had not undertaken all of the feasibility, preliminary design, and engineering and environmental studies that are prerequisites for project implementation. Developing this information in advance would help streamline the process of application review, obligation and project implementation. I would note that FRA is now funding these activities on a number of corridors.

*Question 2.* While the future of funding for high-speed rail projects is less certain today, there are still funding programs for rail improvements that can improve passenger rail speeds in Missouri and other states. The Missouri Department of Transportation has put a great deal of work into planning and projects to improve passenger rail performance and we are starting to see positive results. Where do you see the priorities for passenger rail funding going forward? How should states focus their funding efforts?

Answer. The President has set out a bold vision—making high-speed and improved intercity passenger rail service available to 80 percent of Americans in just 25 years. He proposed this to help meet the mobility needs of a growing population in a cost-effective and sustainable manner and in a way that can help expand the domestic economy and employment. The priorities for future funding will be on cost effective projects that deliver on this vision and generates the employment, economic and environmental benefits as well.

*Question 3.* There has been a great deal of debate over the implementation of Positive Train Control (PTC) as we required in the Rail Safety Improvement Act enacted in 2008. I have heard about the difficulties in implementing PTC from the rail companies and the support for a sensible approach to implementing PTC from shippers who ship chemicals, hazardous materials and other products. Rail companies have raised concerns have been raised about the cost of the implementation as well and the reliability of the technology. Many shippers are concerned that railroads will stop shipping certain products, particularly hazardous materials, if PTC is not implemented properly.

Some data has shown that PTC-preventable accidents account for just four percent of railroad main line accidents. In your view, is this data accurate? Are we missing opportunities to focus on other measures that could also bring safety benefits?

In addition, all parties would be benefit from a safer and more efficient national rail network. How have costs for PTC been evaluated? Has there been a comprehensive cost/benefit analysis so that we can ensure that costs are allocated correctly among all parties involved?

Answer. The exact percentage of PTC-preventable accidents (PPA) varies based on the period over which the collected data is evaluated as well as the way in which a PPA is defined. However, FRA fully agrees that the percentage of PPAs is very small when compared to the causal factors for all accidents.

FRA has conducted detailed cost benefit analyses of the implementation costs of PTC in relation to the gained safety benefits. The results from the 1994, 1999, and

2004 studies, as well as the most recent 2009 regulatory impact analysis, have uniformly indicated that the safety benefits alone for PTC systems were relatively small in comparison to the large capital and maintenance costs. Independent studies in 2010 by the Association of American Railroads, as well as the Chlorine Institute, reaffirm that PTC cannot be justified based solely on safety benefits alone. The railroads have maintained in commenting to each study, especially the 2004 study, that there is no reason to expect that business benefits, and the societal benefits that would flow from such business benefits, would come from any PTC systems. According to the railroads, generally such business benefits could be achieved at less expense through systems not connected with PTC. Based on the information contained in the railroads' PTC implementation plans, systems would not easily be adapted to create business benefits. At this time FRA does not believe the potential business and societal benefits will be realized through PTC systems.

The reason behind the lack of economic justification regarding the safety benefits is that the majority of PPAs are minor and FRA crashworthiness standards help mitigate the potential loss of life or release of hazardous chemicals. For example, in the 20 years between 1987 and 2007 prior to the Chatsworth, California, accident, there were only two PPAs[1] with major loss of life (16 deaths in the Chase, Maryland, accident (1987) and 11 in the Silver Spring, Maryland, accident (1996)).

Implementation of PTC represents a significant unfunded Federal mandate to both freight and passenger railroads. The industry's total required capital expenditures for PTC is approximately $10 billion. Undoubtedly, these capital investments could be made elsewhere to address the elimination or mitigation of other human factor-, track-, or equipment-related causal factors associated with much more prevalent accident scenarios. The full extent of potentially lost opportunities, however, is very hard to estimate given the wide variety, and number, of alternative safety investments that could be made.

Cost-benefit analysis (CBA) can be a useful tool for highlighting the potential costs and benefits of a proposed decision and its alternatives. However, there are many limitations that need to be recognized. In conducting a CBA, economists and engineers often have to make assumptions regarding the financial value of non-economic values, whether they are costs or benefits. As a consequence, a CBA can yield dramatically different numbers, especially as different methodologies for assigning economic values to non-economic benefits can vary significantly.

Costs can be in the form of added capital investment, added transaction costs, decreased market share, or other impacts that readily lend themselves to economic quantification. Benefits, however, can be more difficult to quantify than costs. Benefits in a CBA often include subjective assumptions regarding non-economic values.

While the analysis process usually highlights the various qualitative costs and benefits, the process of assessing the actual quantitative values can be quite contentious. As a result of these limitations, it is essential to use a CBA carefully. A CBA can help to inform decisions, but ultimately it is only one of the tools available to determine policy. While the economic costs of implementing, complying with, and enforcing a particular policy may be higher than the quantifiable benefits, there may still be compelling reasons to implement and enforce the policy. Legislators may determine such non-quantitative compelling reasons exist.

Non-quantitative benefits might include such things as ensuring that passenger rail travel is perceived as safe, or that communities through which PIH traffic moves are perceived as safe from the kinds of disruption that might occur in a significant release of PIH materials. Equity issues might include such concerns as burdening railroads with the costs of PTC even though the railroads will accrue little of the benefit, or avoiding burdening communities through which PIH traffic flows with the risks of PIH traffic, even though those communities receive little benefit from the PIH traffic.

An even more serious limitation of a simple comparison of costs and benefits is that it ignores the equity implications of the fact that the costs and benefits are often borne by different groups of people and firms. It should be noted that the aggregation of costs and benefits without consideration of equity is value-laden itself. It is a decision to ignore equity.

Finally, the comparisons of costs and benefits of a regulation must in turn be compared against what might have happened in the absence of that regulation. For example, if we were to estimate the benefits and costs of adopting a safety standard

[1] Prior to the RSIA, PTC did not include switch point monitoring as a required functionality. The Graniteville, SC, accident involving that occurred on January 6, 2005, resulting in 9 deaths and the evacuation of the town, would not have necessarily been prevented by PTC systems available at that time. It is as an outgrowth of Graniteville that switch point monitoring has been added as a required PTC functionality.

for a consumer product, we must ask whether the producer industry might not have made the product somewhat safer in the absence of regulation in response to increasing product liability suits in the courts. In this example, it would not be correct to attribute to the regulation either all of the costs expended or all of the benefits conferred. What alternative scenario the evaluator chooses can, of course, make the actual regulation look better or worse. These are inherent limitations of a CBA as the sole basis for social decisionmaking.

In analyzing the 2010 PTC final rule FRA estimated the 20-year total cost at $9.55 billion (net present value using a 7 percent discount rate) and $13.21 billion (net present value using a 3 percent discount rate), and FRA also estimated 20-year railroad safety (railroad accident reduction) benefits at $440 million (net present value using a 7 percent discount rate) and $674 million (net present value using a 3 percent discount rate).

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO JOSEPH H. BOARDMAN

*Question 1.* Mr. Boardman, two of the desired outcomes of the Washington state projects funded under the American Recovery and Reinvestment Act High-Speed Intercity Passenger Rail program are shorter travel times and improved on-time performance and reliability. Projects must identify how many minutes they will save. As you are aware, there is a long standing issue which, if resolved, could shorten travel times by at least 15 minutes and increase predictability on the southbound leg of the two daily round trip train runs between Vancouver, B.C. and Seattle at a relatively small cost. Currently, the U.S. Customs and Border Protection (CBP) clears passengers on southbound trains from Vancouver, B.C. using a two-step process. Immigration clearance occurs at the Vancouver, while Customs clearance occurs on a track siding outside of Blaine. The Customs clearance results in a delay to rail passengers that makes traveling this route by rail less competitive with other modes of transportation.

Section 406 in the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) required Amtrak to develop recommendations for the Department of Homeland Security to efficiently process rail passengers traveling on Amtrak Cascades across the Canadian border during the 2010 Olympic Games. These recommendations are also applicable to travel after the Olympics. Additionally, my provision authorized the Department of Transportation and other Federal agencies to establish facilities and procedures to conduct preclearance of passengers traveling on Amtrak trains from Canada to the United States. Amtrak recommended combined immigration and customs pre-clearance in Vancouver. From Amtrak's prospective, why hasn't DHS implemented your 2009 recommendation?

Answer. A number of recommendations for successful combined pre-clearance procedures have been completed, including the funding and construction of the facility at Pacific Central Station in Vancouver, BC.

The next action needed would be to execute Amtrak's recommendation to have Congress request the Department of State begin discussions with the Government of Canada to consider amending the Canadian Pre-Clearance Act of June 17, 1999. The amendments to the Canadian Pre-Clearance Act would need to extend authority and protections that currently cover United States Customs and Border Patrol (USCBP) at specific Canadian airports to include certain rail stations (ports), as well. Additionally, the two agencies would need to review and possibly amend the Bi-National Pre-Clearance Agreement for concurrence with the Pre-Clearance Act.

Amtrak believes that there is an opportunity to demonstrate that combined pre-clearance operations can be successful and achieve the goals of the Amtrak Cascades service, as you referenced above. Since there is a strong working relationship between the governments of the State of Washington and the Province of British Columbia, as well as both nation's border agencies, the Pacific Central Station facility in Vancouver, British Columbia is an excellent candidate for a 1 year combined pre-clearance pilot program. The combined pre-clearance operational data gathered from this pilot program can support the discussions to extend, and include, pre-clearance authority to select rail stations (ports) between the United States and Canada.

*Question 2.* Mr. Boardman, as you know, Amtrak and the states have a long history of partnering to provide intercity passenger rail service. Amtrak funds some of the operating costs of state-supported trains in 15 states, which support 110 daily trains operating over 27 intercity passenger service routes across the country. Some of those lines have been in operation for over two decades. In my home state of

Washington, we've had our Cascades passenger rail service, a partnership between Amtrak, Washington and Oregon, for 17 years.

However, a provision in the House FY2012 Transportation-HUD Appropriations Act would end that partnership, shifting all of the costs onto the states, with no notice and with no time for states to find alternate revenues with which to backfill the lost Amtrak investment. This comes at a time when we are seeing record ridership on intercity passenger rail, and at the same time that Amtrak is already working with states under Section 209 of the Passenger Rail Investment and Improvement Act to shift more of the cost of this service onto states by Fiscal Year 2014.

In Washington State, the House provision would immediately cut one of our daily Amtrak Cascades round trips between Seattle and Portland, meaning they'd go from four daily round trips to three. This would happen just as WSDOT is in the middle of investing a significant amount of Federal high-speed rail funding to move from four daily round trips to six, as well as to reduce travel time and increase reliability.

How would this House provision affect the other 14 states that support passenger rail routes for which Amtrak currently provides a cost share?

Answer. Our other state partners would also be affected by this House provision, and in many states there would be consequences similar to what you describe in Washington State. Like Washington State, many other partner states have certain round trips on their routes that are currently funded by Amtrak. These states include California, Illinois, Michigan, New York, Pennsylvania, and Virginia. If these states could not quickly find alternative ways of funding the full cost of these services, net of passenger revenues, the services would have to be cut.

Even for states supporting all of the corridor round trips in their states, Amtrak still covers around 20 percent of direct and shared costs, which are not passed on to states. Under the House provision, Amtrak would have to pass on all of these costs to our state partners. So the rest of our state partners would be in a similar position of having to quickly find funding for the remaining costs. This would affect the states of Maine, Missouri, North Carolina, Oklahoma, Oregon, Texas, Vermont, and Wisconsin.

As you mention, Amtrak has been working with the states to develop a uniform cost sharing policy for corridor service as called for by Section 209 of PRIIA. Not only did Section 209 require Amtrak to develop this cost sharing policy in collaboration with the states, but it required the governors of each affected state to concur with the policy. As of today, 16 of 19 eligible states have formally expressed their support of this proposed policy, which we believe shows the ability of Amtrak and the states to work together as Congress directed us to, and to develop a policy that is fair to all parties. Washington State has not yet formally concurred with the proposed policy, but WSDOT has informed us that that they have recommended concurrence to Governor Gregoire, and we look forward to receiving her reply. With the vast majority of current and potential state partners supporting the results of the Section 209 process, we hope that Congress will let us finish the cost-sharing work they set out for us in PRIIA, and not preempt it with the House provision.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. KAY BAILEY HUTCHISON TO HON. JOSEPH C. SZABO

*Question 1.* Positive Train Control: The 2008 rail safety law required railroads to install Positive Train Control (PTC) on certain tracks by the end of 2015. I introduced legislation earlier this year that would address imbalances in PTC implementation for the freight railroads, and the Federal Railroad Administration (FRA) is now working to address these problems in their August Notice of Proposed Rulemaking. We are now hearing that the Nation's commuter railroads are struggling to meet the timeline for implementation. What are your views on PTC implementation for the commuter railroads? Do you believe they would benefit from an extension of the implementation deadline?

Answer. All commuter railroads submitted PTC Implementation Plans (PTCIP) for completing the installation of PTC by the Rail Safety Improvement Act of 2008 (RSIA) statutory date of December 31, 2015. The schedules in these plans are very aggressive, and all were based on a number of assumptions, which can be summarized as:

1. No significant emergent technical issues.
2. No significant financial issues.
3. No significant contracting issues.

It appears in some cases that one or more of these assumptions has been proven incorrect. For example, the specifications required to define interoperability have not yet been fully developed. Without these specifications, contractual requirements cannot be completed. In such situations suppliers are understandably reluctant to proffer tenders as the lack of knowledge of all requirements represents significant financial risks. In some situations, where suppliers have proffered tenders, the tenders have been significantly higher to mitigate for the suppliers increased risk exposure. This increase in costs further exacerbates the funding difficulties being experienced by the commuter railroads.

Another example where the assumptions have not held up as the railroads have worked on deployment relates to communications. As I am sure you are aware, PTC systems are reliant on a robust communications infrastructure to properly function. Because of superior propagation properties when compared to other available spectrum bands, the freight railroads have coalesced on frequencies in the 220 MHz range and have designed their PTC communications infrastructure accordingly. In order to interoperate with the freight railroads, commuter railroads must also operate in the same spectrum band. Without the use of common communications spectrum, interoperability as defined by the RSIA, becomes difficult and costly, if not impossible.

This issue can cause significant difficulties for the commuter railroads in meeting the December 31, 2015 deadline. Spectrum is a limited resource, and competition for it is very high. This appears to becoming even more so as the existence of a captive secondary market has been identified. The result of this can only be significantly increased costs to some of the commuter railroads as they attempt to procure the necessary spectrum to support their operations. In some cases, the terms and conditions required by the current 220 MHz license holders for the sale or use of the necessary spectrum become so onerous as to make spectrum procurement by commuter railroads cost prohibitive

As public agencies, commuter railroads are also required to comply with many of the same, or similar, statutory and regulatory procurements regulations as the Federal government, making it more difficult to compete effectively in the secondary market place. Private organizations are not bound by these requirements and can respond more quickly when secondary market spectrum becomes available.

The extent of the issues and their impacts on future PTC development are still unclear. Although FRA's evidence is anecdotal, the commuter railroads difficulties could impact the build out requirement date of December 31, 2015. There have been no significant changes to the FRA-approved PTCIPs that reflect the specific technical, financial, and contractual issues being encountered by individual railroads and their associated impacts. Consequently, FRA is currently unable to accurately assess the impact of these issues on the individual railroads' ability to complete by December 31, 2015, and the extent of relief would that potentially be required.

FRA has had, and continues to have, ongoing liaison and is working with the Association of American Railroads, the American Public Transportation Association, and the individual railroads to identify and document the scope and impact of the issues. The majority of these issues are related to specific technology development, deployment, contracting, and funding concerns. Where qualified FRA staff is available, FRA is providing their expertise as general technical resources. The scope and nature of the issues, however, would require the commitment of government resources well in excess of what is currently possessed by the agency and require levels of involvement in railroad specific technical, contract, and funding issues to fully address.

FRA has accelerated completion of the December 2012 PTC implementation status report to Congress to identify the currently known impediments to completion by December 31, 2015, and act as an advocate of the railroads for possible legislative relief and/or funding.

FRA is attempting to reduce the engineering efforts required of the commuter railroads by:

- Issuing Type Approvals for PTC system configurations. Commuter railroads using the previous type-approved systems eliminate the need for them to reproduce certain complex safety documents.
- Providing commuter railroads access to technical data being funded as part of the Railroad Safety Technology Grant Program.

FRA is working closely with the Federal Communications Commission to determine if communications spectrum can possibly be reallocated from existing license holders to address the spectrum needs of the commuter railroads.

FRA has dedicated all funding previously provided as part of the Fiscal Year 2010 appropriation for the Railroad Safety Technology Grant Program to mitigate the impact of shared PTC implementation issues.

*Question 2.* National Rail Plan: One of the most important mandates from the 2008 passenger rail bill was the requirement that the Federal Railroad Administration (FRA) issue a National Rail Plan creating a framework for investing in our Nation's rail infrastructure. The plan is now more than a year overdue. How can we justify continued investment in high-speed rail without a national blueprint to target our investments to the most appropriate corridors?

Answer. DOT and FRA are guided by the underlying statutes for high-speed and intercity passenger rail in the Passenger Rail Investment and Improvement Act (PRIIA) as well as the requirements in the Recovery Act and Fiscal Year (FY) 2010 high-speed and intercity passenger rail appropriations. Those statutes and appropriations laws provided the framework for the Preliminary National Rail Plan (October 2009) produced by FRA and then again in the National Rail Plan Progress Report in September 2010. These two documents meet the PRIIA national rail plan mandate; however FRA envisions the plan as a "living" document that will evolve based on new ideas, new priorities, and new challenges. At its core (and as established in PRIIA), the passenger rail program is a state led, but federally assisted program that relies on state-created high-speed and intercity rail plans identifying each state and region's specific transportation needs and priorities. DOT and FRA provide technical expertise, planning guidance and assistance to states as well as help in bridging multi-state or other regional rail issues, and allocate funds based upon how state proposals meet the criteria defined in PRIIA and the several Notices of Funding Availability issued by FRA. States also have FRA's HSIPR strategic plan, Vision for High-Speed Rail in America, and FY 2012 budget proposal documents to further signal the long-term direction of the program. Most recently, FRA completed a series of passenger rail corridor business and public investment cases that further provide a comprehensive analysis on four high-speed and intercity passenger rail corridors in the U.S. that have been or are in development with participating Federal funds.

*Question 2a.* How can we be sure that the FRA made wise investment decisions with the over $10 billion in taxpayer dollars that have been awarded to date?

Answer. As discussed above, the allocation of funds available for the High-Speed Intercity Passenger Rail Program has been merit based through evaluation of applications by the Department of Transportation using clear and transparent priorities identified in the strategic plan for the high-speed intercity passenger rail program, *Vision for High-Speed Rail in America* (April 2009) and the related Notices of Funding Availability.

*Question 2b.* When will the final plan be released?

Answer. The national rail plan (NRP) and subsequent update provided to Congress in September 2010 represents the most recent progress. In addition, any related documents produced by FRA will continue to reflect advancing aspects of the NRP, such as the Business and Public Investment Case for FY 2010–Funded Passenger Rail Corridors. The Recovery Act and FY 2010 appropriations brought new focus and funding on passenger rail and provided states and agencies a chance to revisit corridor plans in the U.S. The NRP and related documents will incorporate any new developments through future updates. PRIIA does not require a "final" plan, and indeed this should be a living document that evolves as the passenger and freight rail industry evolves. As a consequence, as FRA continues to analyze changes in population and the related changes in demand for transportation services, it will continue to update and release those findings.

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## Response to Written Questions Submitted by Hon. Kay Bailey Hutchison to Joseph H. Boardman

*Question 1. Amtrak Funding Levels:* Amtrak has been forced to manage inconsistent funding levels throughout its history. The last several years have been good for Amtrak; with the railroad receiving historically high levels of appropriations and grant awards. With expected fiscal constraints in the foreseeable future, I would like to learn how Amtrak is utilizing that windfall to ensure the continued success and growth of the railroad in leaner times.

Answer. When Congress enacted PRIIA, it recognized that Amtrak will require both operating and capital support from the Federal government for the foreseeable future, and authorized funding for both for the FY09–13 period. Subsequent appropriations, including those made by the American Recovery and Reinvestment Act (ARRA), presented an unprecedented opportunity for capital investment in intercity passenger rail. As a government-supported business, we never lose sight of the responsibilities that come with taxpayer support, and have focused on using this opportunity to advance capital projects that will generate a return on investment.

Many of the investments that FRA, Amtrak, and the States are making now will generate increases in ridership and revenue in the coming years, or improve our cost recovery rate, which is already the highest of any U.S. passenger railroad.

For example, we used $1.3 billion in ARRA funding provided directly to Amtrak to return nearly 100 stored and wrecked pieces of equipment to service, providing more capacity to meet demand. We also used ARRA dollars to rebuild or modernize mechanical facilities and stations, and to improve the reliability of Northeast Corridor infrastructure, among other investments. An area of particular emphasis in our current capital program is technology. We are investing in projects that, if we can manage our funding to complete them as planned, will reduce operating costs and make for a more attractive service. In FY10, for example, we introduced free Wi-Fi on our Acela trains. We estimate that Wi-Fi has delivered $6.5 million incremental revenue in FY11, and are now in the process of extending it to our eastern and western corridor trains. We are developing electronic "point-of-sale" systems onboard trains to replace time-consuming and costly manual inventory tracking systems in our café and dining cars, allowing our workforce to focus instead on making sales. And we are also implementing an e-ticketing system that will deliver real-time manifest information, improve customer service, and reduce costs.

Additionally, Amtrak is a major beneficiary of the roughly $10 billion in grant awards made by the Federal Railroad Administration under the High-Speed Intercity Passenger Rail Program (HSIPR). We were awarded a $450 million grant that will result in increased operating speeds and improved reliability on a heavily-traveled segment of the Northeast Corridor, and are also working closely with more than 30 States to implement HSIPR-funded projects for which they sought and received funding to expand or improve Amtrak service. The public benefits gained from these investments, including additional frequencies, reduced trip-times, and improved on-time performance, will lay the foundation for more effective and efficient service in future years.

Effective capital investments such as these can help us manage our long-term operating costs. Amtrak already funds a significant percentage of its annual operating requirement from revenues; during the FY11–15 period, the company expects to fund 82 percent of its operating need from revenues, and this will increase as more costs are shared with state partners under PRIIA Section 209. However, a need for continued Federal operating support will remain, particularly in order to meet some of the performance and customer service metrics and standards established under PRIIA Section 207.

In addition to capital and operating support, a portion of Amtrak's annual grant is typically reserved for debt service. We have worked aggressively to reduce our debt from a high of $3.9 billion in 2002 to under $1.8 billion in 2011. In FY10 alone, we reduced our debt by $850 million. This was accomplished in part by taking on no additional debt between FY02–10, making all scheduled repayments on principal, negotiating defeased leased terminations, and periodically making opportunistic early debt pre-payments. Amtrak now has some ability to take on additional debt, and the FRA Railroad Rehabilitation and Improvement Financing Program is one potential source of credit assistance. Amtrak was approved for a $562 million RRIF loan in June 2011 to pay for 70 new, American-built electric locomotives that will replace the aging Northeast Corridor electric fleet.

Additionally, under PRIIA Section 205, we worked with the U.S. Departments of Treasury and Transportation to exercise 13 early buyout options on existing Amtrak leases over three Fiscal Years. These early buyouts will save the Federal taxpayer roughly $162 million over three Fiscal Years. According to the Amtrak Inspector General, additional savings could be achieved if Treasury's authority to restructure Amtrak debt is extended.

Ridership and revenue growth lie at the core of our plans for continuing Amtrak's success, ensuring the company's future economic health, and managing our future public funding requirements. Since 2003, Amtrak has generally enjoyed continuous and significant ticket revenue growth, aside for a brief interruption in FY09 when market conditions caused by the economic recession resulted in ticket revenues falling short of FY08 levels. Some of this favorable revenue was utilized to retire equipment leases, make capital investments in renewing our fleet, and reduce our operating subsidy need. The trend continued in FY11, as we reached all-time highs of 30.2 million riders and $1.9 billion in ticket revenue.

Our revenue projections for FY12–15 assume continual gradual economic improvement as well as operational improvements that result in consistently growing ridership and ticket revenue. These plans are potentially vulnerable to a range of external economic forces. Ridership growth is in part a product of economic growth, and poor economic conditions could conceivably hinder growth. Even prosperity carries risks, as a boom in freight traffic could lead to difficulties on freight carriers if growing traffic and poor dispatching practices lead to decreases in on-time performance of Amtrak trains.

I understand that there will be some difficult choices this year and in the coming years with regard to the Federal budget. Despite the recent spike in intercity passenger rail funding, many critical needs remain. Capital funding, for instance, has not been sufficient to achieve a state-of-good repair on Northeast Corridor infrastructure and other Amtrak assets. Additionally, we have important requirements to meet with respect to ADA compliance at our stations and Positive Train Control, both of which will require future capital funding. We're also faced with the challenge and significant capital cost of replacing an aging and well-worn fleet of equipment.

Continued capital investment in intercity passenger rail will allow us to reduce or eliminate problems that translate into higher levels of operating expense. But the nature of continued capital funding is also important. Amtrak's history of inconsistent funding is the product of being subject to an annual appropriations process that typically falls short providing funding at authorized levels and begins well into the Fiscal Year. Both factors make truly efficient planning illusionary. Establishing a dedicated, reliable source of multi-year capital funding, as is available for other modes of transportation, would greatly aid our ability to manage complex, multi-year capital projects.

In the meantime, we will continue to provide financial transparency for all of our programs so that Congress and stakeholders have the information they need on how Federal resources are being invested.

*Question 2. Northeast Corridor Financing:* I understand that Amtrak is pursuing a $117 billion plan for high-speed rail in the Northeast Corridor between DC and Boston. How will Amtrak fund a project of this magnitude?

Answer. Every high-speed rail system worldwide has relied on some degree of public funding. Bringing next-generation high-speed rail service to the Northeast Corridor will be no different; a significant portion of its funding will undoubtedly come from public sources of grants, loans, or some combination of both. However, we also believe that the project has significant potential for private investment. To explore such opportunities, Amtrak selected a financial planning team led by KPMG to assist in the development of a business and financial plan for the project.

The business and financial plan will be developed with Amtrak as the operator of the system and will address a variety of project financing issues such as risk, credit, debt, and investment phasing. It will also determine how much of the total project cost can be paid for with private and public financing, and lay out a strategy for maximizing private investment and identifying funding sources.

The plan will build on refined estimates of the project's ridership, revenue, and costs. Our September 2010 vision for next-generation NEC high-speed rail estimated that the system would produce an annual operating surplus of $900 million, which presents opportunities to service debt and/or leverage private investment. We expect the plan to be completed by mid-year 2012.

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## Response to Written Questions Submitted by Hon. Kay Bailey Hutchison to Theodore Alves

*Question 1. Amtrak Debt:* Debt has been a major issue for Amtrak for several years. I know Amtrak has reduced its privately-held debt from $3.9 billion in 2002 to under $2 billion in 2010. What additional steps can Amtrak take to reduce that debt?

Answer. As discussed in my testimony, a key step that could be taken is for Congress to consider reauthorizing Amtrak's authority to exercise early buyout options in its existing capital leases. The authority under PRIIA allowing Amtrak to restructure its debt expired in October 2010. However, prior to that date, savings of about $152 million were achieved through early buyout of capital leases; our current work shows additional opportunities for estimated savings of over $400 million. These are savings that could be used to reduce the amount of Federal subsidy that Amtrak would need in the future and would, in turn, help contribute to deficit reduction. Let me give you some details on how this could be accomplished.

Section 205 of PRIIA authorized the Secretary of the Treasury, in consultation with the Secretary of Transportation and Amtrak, to make agreements to restructure Amtrak's indebtedness. In restructuring the debt, the Secretary of the Treasury and Amtrak had to (1) consider repayment costs, the terms of any loans, and market conditions; and (2) ensure that the restructuring resulted in significant savings to Amtrak and the Federal government.

In response to Section 205, Amtrak informed the Department of the Treasury of its debt as of April 30, 2009. At that time, Amtrak identified debt of about $2.9 billion, of which about $1.7 billion was attributable to capital leases. Leases associated with the majority of the debt have early buyout options that allow Amtrak to terminate them at a specified fixed price and date, one time only, and late in the terms of the leases. Amtrak identified 52 leases having early buyout options between FYs 2010 and 2019.

The Department of the Treasury selected 13 leases of the 52 leases identified by Amtrak for buyout. The 13 leases selected had early buyout option dates that fell between FYs 2011 and 2013. Department of the Treasury officials informed us that they selected the 13 leases because the early buyout option dates fell between the effective date of the signed memorandum of understanding between the Secretary of the Treasury and the Secretary of Transportation (October 2010) and the expiration date of PRIIA's authorization (October 2013). The savings to Amtrak and the Federal government from paying off these leases amounts to about $152 million over time ($91 million in present-value dollars). To achieve these savings, Treasury will have to expend about $420 million.

Our ongoing work shows that paying off the remaining 39 leases when the early buyout options are in effect (through FY 2019) would result in an estimated $426 million in savings ($305 million in present-value dollars), at a cost of about $638 million. Amtrak recently informed us that some of its lessors may be willing to allow payoff of these leases earlier than the existing early buyout option date, which would allow even greater savings.

Given that the authorization has expired under Section 205 and the information Amtrak presented to the Department of the Treasury was as of April 2009, we believe that Amtrak should update the information on the remaining 39 leases with early buyout options and report to the Congress, for its consideration, the savings that would accrue from the early buyout of these leases.

*Question 2. On-Time Performance:* Generally speaking, what would be the most important action that Amtrak could take to improve the on-time performance of its trains?

Answer. A key step that Amtrak could take is to develop a process and criteria to support using on-time-performance remedies authorized by PRIIA. Section 213, *Passenger Train Performance,* authorizes Amtrak to request that the Surface Transportation Board investigate substandard on-time performance of intercity passenger trains, which the Act defines as less than 80 percent on-time performance for two consecutive calendar quarters. The Board is then to determine the causes of not meeting the on-time-performance standard and, if the cause is the host railroad's failure to provide preference to Amtrak over freight transportation, the Board is authorized to award damages or prescribe other relief that it deems appropriate.

While Amtrak continues to experience on-time performance rates for many routes that fall below the PRIIA-defined standard, it has not requested such an investigation. According to senior Amtrak officials, they are in the process of developing information and supporting documentation that could be used to make such a request. However, our work shows that Amtrak has not developed a structured process or criteria for making this determination. Developing processes and criteria are a prerequisite to Amtrak's determining whether to request an investigation. Further, sound processes and criteria could enhance the likelihood of the Board's agreeing with Amtrak's position.

*Question 3. On-Time Performance:* Has Amtrak improved on-time performance over the past several years?

Answer. Yes, Amtrak's on-time performance has generally improved over the past several years. For example, Amtrak's on-time performance improved from 69 percent for FY 2007 to 80 percent for FY 2011 (through May 2011). These gains were primarily because of the improvement in long-distance train on-time performance. Short-distance train on-time performance improved to a lesser extent.

*Question 4. On-Time Performance:* If so, which routes or services still need the most improvement?

Answer. I believe that the greatest need for improvement rests with the long-distance routes. These routes are still not meeting the on-time-performance goals established by Section 207. For example, some of the long-distance routes requiring the greatest improvement are the Empire Builder, the Cardinal, the Capitol Limited, the California Zephyr, and the Lake Shore Limited.

I would also note that, although the short-distance services are, in the aggregate, performing relatively well, some can also be improved. For example, the routes needing the greatest improvement are the Michigan (Blue Water, Pere Marquette, and Wolverine), Illinois (Illini/Saluki), Empire Corridor (Ethan Allen Express), Hoosier State, Cascades, and Carolinian.

Table 1 compares end-point on-time performance of Amtrak's short-and long-distance routes during the fourth quarter of FY 2010 and the first three quarters of FY 2011 against the 80-percent PRIIA on-time performance standard. Eight short-distance and 11 long-distance routes failed to meet the PRIIA on-time performance standard for two consecutive quarters. The causes of these delays include commuter and freight train interference, signal delay, mechanical failure, weather, and other factors.

Table 1.—Amtrak End-Point On-Time Performance Results Compared Against the PRIIA 80-Percent Standard

[fourth quarter, FY 2010 and first three quarters, FY 2011]

| Route | Fourth quarter FY 2010 | First quarter FY 2011 | Second quarter FY 2011 | Third quarter FY 2011 | Missed PRIIA 80-Percent Standard for Two Consecutive Quarters? |
|---|---|---|---|---|---|
| *Short-Distance Routes* | | | | | |
| Capitol Corridor | 96.7% | 95.5% | 95.4% | 94.4% | No |
| *Carolinian* | *53.3%* | *59.2%* | *75.6%* | *61.0%* | *Yes* |
| *Cascades* | *77.6%* | *77.0%* | *55.1%* | *71.3%* | *Yes* |
| Downeaster | *67.2%* | 84.8% | *76.5%* | 81.8% | No |
| *Empire Corridor* | *78.0%* | 80.1% | *78.7%* | *79.4%* | *Yes* |
| Heartland Flyer | *66.8%* | 84.2% | 91.5% | 83.0% | No |
| Hiawatha | 88.4% | 86.2% | 87.3% | 91.8% | No |
| *Hoosier State* | *71.2%* | *59.4%* | *65.7%* | *52.4%* | *Yes* |
| *Illinois* | *74.7%* | *65.7%* | *74.7%* | *67.9%* | *Yes* |
| *Michigan* | *47.0%* | *49.0%* | *39.8%* | *24.5%* | *Yes* |
| Missouri | 88.3% | 91.6% | 87.4% | 89.8% | No |
| *Pacific Surfliner* | *69.9%* | *77.8%* | 81.8% | 81.0% | *Yes* |
| Pennsylvanian | 87.5% | 89.7% | 92.8% | *76.9%* | No |
| *Piedmont* | 86.3% | *78.8%* | *79.6%* | 81.2% | *Yes* |
| San Joaquins | 92.9% | 91.4% | 90.2% | 88.5% | No |
| Vermonter | 88.6% | 83.2% | *71.1%* | 81.3% | No |
| *Long-Distance Routes* | | | | | |
| Auto Train | 91.2% | 90.2% | 93.9% | 87.9% | No |
| *California Zephyr* | *33.2%* | *51.1%* | *52.5%* | *49.5%* | *Yes* |
| *Capitol Limited* | *59.8%* | *57.6%* | *57.8%* | *34.1%* | *Yes* |
| *Cardinal* | *31.6%* | *41.8%* | *52.6%* | *25.6%* | *Yes* |
| City of New Orleans | 85.9% | *69.6%* | 86.1% | *64.3%* | No |
| *Coast Starlight* | 87.5% | *78.1%* | *65.0%* | *77.3%* | *Yes* |
| *Crescent* | *73.4%* | *76.6%* | *75.6%* | *65.4%* | *Yes* |

Table 1.—Amtrak End-Point On-Time Performance Results Compared Against the PRIIA 80-Percent Standard—Continued

[fourth quarter, FY 2010 and first three quarters, FY 2011]

| Route | Fourth quarter FY 2010 | First quarter FY 2011 | Second quarter FY 2011 | Third quarter FY 2011 | Missed PRIIA 80-Percent Standard for Two Consecutive Quarters? |
|---|---|---|---|---|---|
| *Empire Builder* | *74.2%* | *51.8%* | *33.8%* | *46.7%* | *Yes* |
| *Lake Shore Limited* | *65.8%* | *69.8%* | *55.2%* | *57.1%* | *Yes* |
| *Palmetto* | *69.0%* | *75.5%* | 91.7% | *75.8%* | *Yes* |
| *Silver Meteor* | *71.2%* | *79.9%* | 85.4% | *79.1%* | *Yes* |
| *Silver Star* | *75.4%* | *73.9%* | *66.1%* | *70.3%* | *Yes* |
| Southwest Chief | *67.9%* | 83.2% | *77.8%* | 81.9% | No |
| Sunset Limited | 84.8% | 89.9% | 83.1% | 82.1% | No |
| *Texas Eagle* | *69.6%* | *70.1%* | *77.2%* | *45.6%* | *Yes* |

*Note:* Amtrak routes typically include more than one host railroad.
*Source:* OIG analysis of the Federal Railroad Administration's performance and service quality quarterly reports and PRIIA</tfoot>

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## Response to Written Question Submitted by Hon. Kay Bailey Hutchison to Mitchell Behm

*Question. Financial Management:* I want to talk briefly about Amtrak's financial management. The Passenger Rail Investment and Improvement Act (PRIIA) required Amtrak to submit an annual financial plan to the Department of Transportation. The Inspector General is required to review this financial plan and submit his findings to Congress. What is your view of Amtrak's current 5-year financial plan and of Amtrak's financial management in general?

Answer. As you noted, PRIIA calls for the DOT Office of the Inspector General to review Amtrak's annual budget and the 5-year financial plans to determine whether the plans meet PRIIA requirements. Accordingly, we completed assessments of Amtrak's budgets and 5-year financial plans for Fiscal Years 2010 and 2011. We found that the company has improved its compliance with PRIIA over time, though several elements of the plans require further development.

In our first assessment, we found that Amtrak's 5-year financial plan for Fiscal Year 2010 complied with most PRIIA requirements, but noted that additional detailed financial information could bring the plan into full compliance. Additionally, we found that Amtrak's financial management had successfully incorporated the company's strategic goals into its budget and 5-year financial plan, leading us to conclude that Amtrak's 5-year planning efforts could lead to improved budget requests.

In our second assessment, we found that Amtrak's 5-year financial plan for Fiscal Year 2011 complied with all PRIIA requirements. Although the plan included additional detailed financial information, such as key cost drivers for various expenses, which was lacking in the previous 5-year financial plan, some elements of the plan were still under development, such as improvements to the company's compensation structure and cost estimates for the new High-Speed Rail Department.

By November, we anticipate issuing our assessment of Amtrak's annual budget and 5-year financial plan for Fiscal Year 2012. We intend to address the plans' compliance with PRIIA requirements, document Amtrak's progress in addressing previous plan deficiencies we found, and comment on the plans' consistency with the company's stated strategic goals.