AMTRAK'S FISCAL YEAR 2008 STRATEGIC PLAN

(110–51)

HEARING

BEFORE THE

SUBCOMMITTEE ON

RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS

OF THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

HOUSE OF REPRESENTATIVES

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June 11, 2007

SUMMARY OF SUBJECT MATTER

TO: Members of the Subcommittee on Railroads, Pipelines, and Hazardous Materials

FROM: Subcommittee on Railroads, Pipelines, and Hazardous Materials Staff

SUBJECT: Hearing on Amtrak's Fiscal Year 2008 Strategic Plan

PURPOSE OF HEARING

The Subcommittee on Railroads, Pipelines, and Hazardous Materials is scheduled to meet on Tuesday, June 12, 2007, at 2:00 p.m., in Room 2167 Rayburn House Office Building, to receive testimony on Amtrak's FY2008 Strategic Plan.

BACKGROUND

The National Railroad Passenger Corporation ("Amtrak") is expected to soon release its Fiscal Year 2008 Strategic Plan ("Plan"). The Plan is a collaborative product of Amtrak's management and Board of Directors that establishes certain business goals to improve profitability, expand and enhance services, improve its physical assets, and increase employee and passenger safety. The FY 2008 Plan is the most recent edition of a series of strategic initiatives Amtrak has published beginning in 2003. The revisions reflect a movement by Amtrak from a focus on stabilization of a fragile business enterprise with substantial and critical deferred maintenance needs, to a more stable environment that focuses on better utilization of physical and organizational assets to improve financial performance.

Amtrak will publish its FY 2008 Plan at a time of record demand. Amtrak's March 2007 Monthly Report indicates that this demand will continue into FY 2008. Year to date ("YTD") ridership of 2.17 million trips is a 7 percent increase over FY 2006 and 2 percent better than its budget projection. Ticket revenues of $126.6 million are nearly 14 percent above FY 2006 revenues and six percent better than its budget projections. Along the Northeast Corridor (NEC), Acela's ridership is up 20 percent over the same period from last year and total revenue is up almost 25 percent. When Amtrak takes into account all NEC service, ridership has increased 4.6 percent and revenue has increased 13.9 percent compared to last year.

Amtrak's overall YTD customer satisfaction of 77 percent is up from 74 percent from the same time last year, which Amtrak attributes to improved on-time performance ("OTP") on Acela and some long distance trains. At 70 percent, customer satisfaction with OTP is averaging 5 percent higher than at the same point last year.

With FY 2007 half over, Amtrak estimates it will deliver its best ridership and ticket revenues ever. On the strength of Acela's service improvements and advertising investments, Amtrak projects it will reach 25.3 million trips in FY 2007 with ticket revenues of about $1.5 billion, outperforming FY06 by 10 percent and exceeding budget projections almost $37 million.

However, Amtrak is also confronted with significant challenges. OTP outside the NEC continues to decline, presenting serious obstacles. Of the 13 long-distance lines in Amtrak's fleet, the best OTP long distance train is the City of New Orleans at 86 percent. Behind that is the Empire Builder at 73 percent. Over the past four years, long-distance OTP performance has declined 20 percent. The OTP of Amtrak's 16 state corridor trains is worse this year compared to last, continuing a four year trend of decline.* The major reason for this poor OTP performance is that 95 percent of Amtrak's operations is over capacity-constrained lines owned by the freight railroads. The average system velocity on our nation's freight railroads currently ranges from approximately 22 to 26 miles per hour. Federal law generally requires these "host" railroads to grant priority access to Amtrak trains, but capacity constraints and track conditions limit the speeds Amtrak's trains can achieve and Amtrak has had limited success in addressing these problems. Amtrak has also had its own issues of mechanical reliability, especially during the winter months. Amtrak is concerned that if OTP continues to decline, passengers will pursue other travel options.

Reaching a labor agreement is another challenge. Some of Amtrak's labor force has been negotiating a new contract since 1999, when their last contract expired. Labor and management have failed to reach an agreement over pay, healthcare, and work rule changes. Amtrak will face further challenges in attracting and retaining skilled workers unless it can reach an agreement with its workforce.

Amtrak is also beginning a multi-year cycle of replacing its aging fleet of railcars. Nearly 70 percent of its rolling stock has been refurbished since 2003 to a "state of good repair". However, most of these cars are more than 25 years old. Amtrak plans to identify future passenger trends and stock its fleet accordingly.

Amtrak anticipates that its FY 2008 capital program budget will be approximately $760 million, which is $223 million higher than its prior year capital program. Of this amount, $161 million will be for deferred projects and required security upgrades on its property and track and $74 million will be for fleet upkeep.

* "On time" is based on the following tolerances: arrival within 10 minutes of announced arrival time for a 51-250 mile service is "on time;" 15 minutes for 251-350 mile route; 20 minutes of arrival time for a 351-450 mile route; 25 minutes for a 451-550 mile route; and 30 minutes for anything more than 551 miles.

Amtrak must also devote a significant portion of its annual budget to debt service. While FY 2008's debt service is expected to be less than FY 2007's amount, the service does take away from other initiatives Amtrak could otherwise undertake to improve service. In FY 2007, Amtrak devoted $293.5 million to debt service; Amtrak expects that number to be $285.1 million for FY 2008.

However, Amtrak is confident that the public will continue to embrace it as an attractive transportation alternative, particularly in regions of the country with established and emerging corridors, especially if it has sufficient capital to meet growing ridership demand.

Amtrak predicates its strategic planning on the belief that growing ridership will require states to take a more active role in designing their specific rail solutions while bearing a greater share of the cost. Amtrak believes it can be a facilitator of these efforts and it wants to develop state partnerships to leverage its experience and expertise in rail planning, fleet operation and maintenance, infrastructure capacity improvements, reservations and ticket sales, train operations, on-board services, and marketing. Recently, Amtrak organized the Strategic Partnerships and Business Development office in order to manage state and commuter relationships, Amtrak's real estate portfolio, and host railroad relationships. It is Amtrak's hope to align these functions to assist states in expediting their corridor service growth.

The FY 2008 Plan will set seven financial goals, and identifies nine initiatives to achieve them. The seven business goals are (1) decrease federal support each year until FY2012; (2) increase ticket revenue by 6 percent over FY 2007; (3) grow NEC ticket revenue by 5 percent over FY 2007; (4) reduce core salaries, straight time wages, and overtime by 2 percent; (5) reduce core expenses by $30 million; (6) add a 17th Acela set; and (7) conclude a labor settlement by FY 2008. The nine business initiatives will also help Amtrak address its current challenges while helping it meet future challenges:

Increase ridership 50 percent by 2020 through "Smart Growth". Amtrak plans to achieve annual ridership increases without increasing its net operating loss. It has identified a number of actions to accomplish this goal. It plans to encourage states to increase investment in their corridor services. Amtrak's expects this state investment will save the railroad at least $170 million, allowing Amtrak to add frequencies to existing routes, increase reinvestment in service deployment, and improve allocation of scarce equipment resources. Second, it plans to negotiate on behalf of states with host railroads for improved OTP and corridor expansion operating agreements. Third, it is planning to implement several pilot corridor service models for future services, including exploring possible private sponsorship. Amtrak has identified specific improvements across its network to increase ridership by adding frequencies, adding more cars to existing frequencies, or establishing new routes. However, most corridor routes have long lead times. If Amtrak acts now to expand or increase services along its network, Amtrak warns that it may take up to four years before the outcome of these steps are realized.

Increase total revenue by 4 percent in FY 2008 and 30 percent by FY 2012 through increased ridership and improved revenue management. To meet this goal, Amtrak plans to address OTP, long-distance service, and customer satisfaction. Amtrak regards its NEC OTP as a significant reason for its recent success, but the OTP records established on the NEC are difficult to duplicate elsewhere because Amtrak does not own and maintain the lines outside the NEC. The remainder of Amtrak's network has failed to match the NEC's OTP. For the past four years, a vast majority of Amtrak's state and long distance corridors' OTP has degraded significantly, hampering Amtrak's efforts to increase revenue and ridership. Amtrak's FY 2008 Plan outlines an OTP action plan to achieve 90 percent OTP for its Acela lines, 85 percent for its NEC regional services, 80 percent for state corridor services, and 70 percent for long distance routes. To improve NEC's OTP, Amtrak will better monitor performance at its NEC Service Operations, Northeast and Mid-Atlantic Divisions and implement specific strategies based on route, station, and facility.

To improve OTP outside the NEC, Amtrak plans to implement a number of aggressive actions. First, it will work with the Department of Transportation Inspector General ("DOT IG") and the Amtrak IG to develop grounds for possible future legal action to recover delay-related damages from host railroads with long-term issues. Second, it will identify the state corridors most in need of infrastructure investment and attempt to include these needs in its FY 2009 capital cycle budget. Third, Amtrak will assist state and local governments to combat freight congestion and work with them to make it a part of their legislative agendas. Amtrak expects these actions will increase revenue by $20 million, reduce delays that may result in $20 million in savings, and signal to the freight railroads the seriousness that delays cost Amtrak.

Amtrak plans to improve its Long Distance Service in FY 2008 by increasing its cost recovery by 10 percent, reducing revenue loss by 5 percent, and increasing revenue per mile by 5 percent. To meet these goals, Amtrak plans to make modifications to certain Long Distance routes, such as adding diner/lounge cars for the City of New Orleans and Texas Eagle lines, and exploring service frequency and seasonal variations by route in accordance with market demand forecasts. These changes are expected to add $20 million in revenue.

In FY 2008, Amtrak is targeting a 90 percent customer satisfaction for its Acela service (a 3 percent improvement over FY 2007); 80 percent satisfaction on its regional services (a 5 percent improvement); 80 percent on its state corridor services (a 2 percent improvement); and a 75 percent satisfaction on it long distance routes (a 4 percent improvement). For the first time, Amtrak plans to use its Customer Satisfaction Index as a key metric for measuring this progress. Amtrak will get additional customer input through its Trip Ratings survey. This will allow Amtrak to receive and analyze daily, train-level passenger feedback that will allow managers to identify customer trends and help them make day-to-day decisions regarding service delivery.

Contain cost growth to 2 percent per year through productivity and efficiency improvements. Amtrak's 2005 Strategic Initiatives Plan identified two areas to improve productivity: core operations and technology initiatives. Amtrak will extend these programs in the FY 2008 Plan. By October 1, 2008, Amtrak plans to improve the total of core salaries, straight time wages, and overtime by 2 percent over the May FY 2007 Forecast to realize $12 million in savings. Examples of actions taken to realize this goal include deploying additional QuikTrak machines at ticket counters, food service modifications, and preventative maintenance for its fleet. The second area, technology initiatives, includes implementing a ticketless pilot program on select state corridors to realize $20 million in savings, installing 270 new QuikTrak kiosks systemwide for $1.6 million in labor cost savings, implementing new technologies at call centers to save $2.9 million in FY 2008 labor costs, and new on-board credit card reader systems.

Improve Financial Transparency for Future Fleet Planning. Amtrak plans to implement a process to better understand its rolling stock needs over the next 10-15 years. With this process in place, it is confident that it will make smarter decisions about its future capital expenditures. The FY 2008 Plan sets three goals to understand its long-term capital needs. First, it plans to complete a comprehensive catalog of its future equipment needs by June 30, 2008. Second, by December 2008, it plans to implement a process to facilitate its future fleet procurement. Finally, Amtrak plans to explore a greater reliance on leasing equipment rather than refurbishing existing equipment or acquiring new equipment. Amtrak is undertaking these steps to inform its decisions as it replaces much of its existing rail fleet.

Amtrak also plans to increase collaboration between its planning and finance departments to evaluate its FY 2008 capital projects, continue developing better mechanisms to identify and evaluate its programs, and implement new capital spending control processes. Amtrak predicts that these actions will realize at least $10 million in savings.

Provide a safe environment for passengers and employees. By the end of FY 2008, Amtrak plans to complete a number of actions to increase security, ensure compliance with the Americans with Disabilities Act (ADA), and improve safety. By 2008, it plans to improve security at many of its stations and complete plans to ensure accessibility for all customers. Amtrak also plans to improve safety in its operations. Its safety goal for FY 2008 is to reduce its employee incident ratio to 1.9 per 200,000 man-hours; reduce its passenger injuries on-board trains to 2.0 per 100,000 train-miles; and reduce its passenger injuries in Amtrak stations to 1.5 per passengers transported.

Improve Management of Human Capital. Amtrak expects the FY 2008 Plan to establish specific goals to improve employee satisfaction. By the end of 2007, Amtrak plans to establish baseline scores for its employees and in 2008 begin quarterly reviews to improve performance and satisfaction relative to the baseline score. Amtrak believes improved employee satisfaction will translate to improved customer satisfaction and help improve revenue.

Amtrak also plans to finalize a new labor contract before the end of the year. At the September 2006 Railroad Subcommittee hearing entitled "New Hands on the Amtrak Throttle," Amtrak's President and CEO Alexander Kummant stated that Amtrak's labor is the "foundation of its operation" and that resolving the longstanding dispute between Amtrak management and labor would be one of his top priorities. Yet nine months later, Amtrak still has not finalized contract negotiations with its workforce; Amtrak's workforce has been without a labor contract since 1999. Mr. Kummant believes that it is absolutely necessary for Amtrak to reach a labor agreement with its workforce, because "it is a critical strategic issue for [Amtrak's] operation to retain the critical skills we have in this market." But because of the uncertainty over the ongoing contract negotiations, many workers are being lured away to work for local passenger rail carriers. Amtrak's ability to implement its reform initiatives and improve customer satisfaction will be greatly enhanced once it successfully negotiates a new labor contract. Committee investigations performed during the last Congress revealed that Amtrak has had difficulty hiring and retaining electricians, diesel mechanicals and other skilled crafts, especially in urban areas. In the Northeast Corridor region, power companies, transit agencies and construction companies often pay employees significantly more than Amtrak.

Improve Environmental Stewardship. Amtrak reduced its greenhouse gas emissions by four percent between 2003 and 2006. Amtrak plans to reduce these emissions a further two percent between 2007 and 2010. Additionally, Amtrak plans to begin making "carbon neutral" travel available for passengers, allowing them to purchase offsets. Amtrak believes these efforts will further enhance its business.

Develop a tightly integrated partnership with state Departments of Transportation to drive future intercity passenger rail strategy. Amtrak attributes much of its recent ridership gains to decisions by state officials to support pro-rail options. For example, much of Amtrak's growth in the past 5-7 years has been in California, Illinois, and Pennsylvania, where states have made substantial rail investments. To encourage this growth, Amtrak is adjusting its organizational structure to focus more resources so that it can be responsive to state requests, and to best adapt its service offerings to meet their transportation needs.

Initiate a new equipment procurement program to both replace the existing fleet and create capacity for expanded service, with modern, efficient, customer friendly equipment. Most of Amtrak's fleet is over 25 years old. While Amtrak actively overhauls and remanufactures its equipment, at some point it becomes economically more advantageous to purchase replacement equipment. In addition, the past few years have seen new demand on Amtrak's resources. If this growth continues, Amtrak will not have sufficient equipment to meet demand in the 2010-2012 timeframe. Given the multi-year lead times required for equipment design and fabrication, Amtrak needs to begin the procurement process now.

Amtrak expects to take two basic actions to address this in 2008:

- DMU procurement: Diesel-Multiple Units (DMU) are combined power and passenger units. Used in many services in Europe and in some parts of the US, DMU's offer some unique advantages, particularly in reducing operating costs for low-volume passenger routes.

- Instead of having to construct and deploy a complete train (engine, cab control car, and coach(es)) for a particular departure, the DMU integrates all of these functions into one unit. The State of Vermont has been evaluating the purchase of several units, and Amtrak is advocating the procurement of five (with options on more units) to deploy in 2-3 years to some of Amtrak's lighter density routes.

- Cars: The basic actions in FY 2008 revolve around developing a clear set of specifications for the next generation of equipment, beginning the process of preliminary design, and developing and communicating a clear fleet plan illustrating Amtrak's fleet needs and equipment procurement intentions over the next 10 years.

Amtrak contends that the quality of equipment it can deploy into passenger service has a significant impact on market demand. Where it has deployed new equipment (Acela, Cascades), customer demand and customer satisfaction have increased. Where Amtrak is using older equipment, it is seeing higher levels of customer dissatisfaction.

<u>EXPECTED WITNESS</u>

Mr. David Laney
Chair
Amtrak Board of Directors

Mr. Alexander Kummant
President and CEO
Amtrak

AMTRAK STRATEGIC INITIATIVES

Tuesday, June 12, 2007

HOUSE OF REPRESENTATIVES,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
SUBCOMMITTEE ON RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS,
Washington, DC.

The Subcommittee met, pursuant to call, at 2:05 p.m., in Room 2167, Rayburn House Office Building, Hon. Corrine Brown [chairman of the Subcommittee] Presiding.

Ms. BROWN OF FLORIDA. Will the Subcommittee on Railroads, Pipelines and Hazardous Materials come to order.

The Subcommittee is meeting today to hear testimony on Amtrak's Strategic Initiatives. Let me start by expressing my disappointment that the Board has not approved the Amtrak fiscal year 2008 strategic plan. I do not understand why Amtrak has not followed my newest request to have this plan ready. We were told in April that it was going to be approved in May, and we were told a few weeks ago that it was going to be approved prior to this hearing. We are now 8 months into the fiscal year 2007. If the Board drags this out any longer, there will be no point in approving the plan.

You have to start setting the stage for the initiatives in 2007, and we want to see them succeed in 2008. At the rate that we are going, we will be in 2008 before we ever see a final plan.

I did, however, review an earlier draft, and there is good news for Amtrak. Amtrak is projected to deliver the best ridership numbers and revenues in history with the projection of 25.3 million trips and $1.5 billion in revenues. Ridership in the first quarter of 2007 increased 7 percent over last year where ticket revenues were up 14 percent. Accelerated ridership alone was up 20 percent, and with the ever-increasing price of gas, ridership can only increase.

I do not think there is a doubt that Amtrak has made significant improvements in the system over the last several years and has an ambitious agenda for future improvement, but Amtrak must also address some challenges before it can reach its full potential. It must improve its on-time performance on long-distance routes, replace aging rolling stock and infrastructure, improve safety and security, and resolve the longstanding disputes between management and labor.

It is particularly important that Amtrak reach a labor agreement that is fair. Most of the Amtrak workforce has gone without a renewable contract for over 7 years. You cannot reach your ambitious goal of the company with employees who feel that they have been treated unfairly. The freights have made significant progress with their contracts, and I hope this inspires Amtrak to do the same.

I look forward to hearing from Mr. Laney and Mr. Kummant today about these issues.

Before I yield to Mr. Shuster, I ask that Members be given 14 days to revise and extend their remarks and to permit the submission of additional statements and material by Members and witnesses. Without objection, so ordered.

I yield to Mr. Shuster for his opening statement.

Mr. SHUSTER. I thank the Chairwoman for yielding and for holding the hearing today.

It seems that Amtrak has always been a contentious issue since, I guess, it was formed in the 1970s. Arguments over funding levels, corporate mission, corporate structure, allegations of wasteful spending have always been out there, but there is no argument, I think, that this Nation needs a safer, faster, more efficient passenger rail system than we have today.

The Acela, as Mr. Mica likes to point out, only averages 82 miles an hour. Wow. The intercity trains cannot even compete with the intercity bus service that we have in the country today, so Amtrak needs to be better managed, to manage better its resources than it has.

I read through your plan that you put in place. It looks like a good plan, but historically as I look back through at Amtrak, it always has a good plan. It just does not seem to work out the way it should, and that is imperative that we do that.

I know that Amtrak has brought in new management. I would like to welcome the new President and CEO—not new anymore—Mr. Kummant, who has been onboard now for several months or going on almost a year, I believe it is.

I also welcome Chairman Laney for being here before us.

I know you have also brought in a new CFO and a new general counsel, so we are looking forward to that management team doing good things.

We still have a long way to go, but it appears that we are hopefully beginning to see some progress even on the long-distance trains. The legacy of the 1950s was the interstate highway system, and I hope that our legacy in this new century will be a fast, efficient, high-speed rail system.

It was about several months ago, maybe a year ago now—I think it was only several months ago—that we just passed in America the population threshold from 200 million to 300 million people, and it took 65 years. I was reading a newspaper and saw the projections. We are going to go to 400 million in just 35 years, and when you look at the math and look as the population grows across America, the density of the population in the corridors that Amtrak serves is going to remain dense, and so it is for the future extremely important that we have an efficient passenger rail system. It is going to be something that future generations are going to rely on.

So I am looking forward to hearing from you today, and I am looking forward to working with you as we try to improve Amtrak and improve the transportation system in this country.

I yield back.

Ms. BROWN OF FLORIDA. Thank you.

Ms. BROWN OF FLORIDA. I would like to welcome our witnesses today at the hearing. Our first witness is David Laney, who is the Chairman of Amtrak's Board of Directors.

Our second witness is Mr. Alexander Kummant, who is the President and Chief Executive Officer of Amtrak.

Let me remind the witnesses that under our Committee rules, they must limit their oral statements to 5 minutes but their entire statements will appear in the record. We will also allow the entire panel to testify before questions to the witnesses.

STATEMENTS OF DAVID LANEY, CHAIRMAN, AMTRAK BOARD OF DIRECTORS; AND ALEXANDER KUMMANT, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMTRAK

Ms. BROWN OF FLORIDA. I now recognize Mr. Laney for his testimony.

Mr. LANEY. Madam Chairwoman, thank you.

Mr. Shuster, I appreciate your comments.

I appreciate the——

Ms. BROWN OF FLORIDA. Excuse me. Would you pull that mike—yes, sir.

Mr. LANEY. Thank you for the invitation to appear before the Subcommittee today. I am glad to be back. I am glad to see you again, Madam Chairman. We are very glad that Congress is turning to Amtrak's reauthorization and hopeful that there will be a very constructive outcome. I will make my stated remarks very short, and you can use my written statement for reference and for questions if you would like.

As you know, the last time Amtrak had an authorization was 10 years ago, and I believe it is now in everyone's interest that Congress has this discussion and, ultimately, adopts a reauthorization that provides a clearer direction for Amtrak and its role in shaping the future passenger rail in this country.

It is worth reminding you that the talent and experience housed in Amtrak represent virtually all of the passenger rail expertise remaining in this country today. I believe that expertise is worth protecting and worth growing, but I know also that it will not survive unless we at Amtrak successfully continue to rebuild Amtrak's credibility with Congress and the administration, with the American public, and in the commercial marketplace in which we operate.

That is our challenge. And afforded even the bare minimum of necessary operating support which we received during the last years, we are, I think, very successfully tackling that challenge; not as fast as I would like, but faster than I expected. We are nowhere near anything resembling what I would consider an end zone. Still, the progress is significant and tangible, thanks largely to the remarkable expertise and almost inconceivably steady commitment to Amtrak by its workforce.

There are a number of challenges, Madam Chairwoman, as you mentioned, and I will highlight only a few. But one of the principal challenges is on-time performance, particularly of our long-distance and corridor operations on host or freight railroads. I would add, in response to your comment earlier about our tardiness in terms of the strategic plan, that apparently on-time performance has also affected the Board. My apologies. We will have a plan to you shortly, and I am glad you had a chance to see a draft.

We also have a challenge with respect to our equipment. We need to replace a very old, and, some people might say, antiquated and deteriorating equipment fleet. We continue to have the challenge of the rationalization of our long-distance routes, and we need to rebuild relationships with States, particularly as we focus our energies on State corridors for the future. Reauthorization is a critical need, and in that reauthorization, we sincerely hope that there is a Federal-State match without which there would not be a very robust future for passenger rail in the near term.

You mentioned, Madam Chairwoman, our labor contracts. We are very sincerely and very actively trying to move forward, and there are at least some indications of positive movement with respect to a resolution on a number of different fronts in that regard.

Passenger security, on a different note, remains front and center for all of us. Those are challenges, but we have a number of remarkable achievements as well.

We have reduced Federal operating support consistently. Our revenue in ridership growth, as you mentioned, Madam Chairwoman, is extraordinary. We have on-time performance levels, really for the first time, in its history of the Acela, approaching 90 percent. And I think we will be targeting 90 percent as a minimum going forward.

With respect to the reduction of Amtrak's debt, we reduced it by over $500 million over the last 4 years, and with respect to the success and the growth of our State corridors, I will refer only to the States of California, Washington, Illinois, Wisconsin, the Keystone Corridor in Pennsylvania, and the continued growth on the Northeast Corridor.

The catalog of these positive results could continue, and there are a few more mentioned in my written statement. But let me close with a perspective on our employees, on our management team, on the working support we have had from the Department of Transportation, and now Secretary Peters, the Federal Railroad Administration, and Joe Boardman who is the head of that agency. All of these, I think, are in excellent shape, and that is at least some room for comfort that we will stay the course going forward.

Finally, I believe you have a very independent, talented and proactive Board which continues to make a difference.

I thank you for the invitation again, Madam Chairman, to be here today, and now I would like to answer any questions or to defer to our President and Chief Executive Officer, Alex Kummant.

Ms. BROWN OF FLORIDA. Mr. Kummant.

Mr. KUMMANT. Thank you, Madam Chairwoman and Congressman Shuster. I will also try to keep my comments brief and not cover too much of the same ground.

Again, it is a pleasure for us to be here and to engage in a very important topic here of the overall strategic future for Amtrak.

First, on performance and key indicators, for another year—as has been mentioned in a couple of comments here already—Amtrak will set new ridership and revenue records. There are a number of contributing factors for this that I think we all understand quite well: the rising cost of gasoline; we have also added frequencies in a number of key States—California, Illinois, Pennsylvania—and there is clearly a shift in the ridership in terms of really looking for other modes.

In the Northeast, the challenges of air travel combined with gas prices are clearly factors also as to why the Acela ridership has grown, as was referenced earlier, at 20 percent year over year. Another key ingredient which was referenced is the very strong, additional on-time performance of the Acela, reaching 88 percent, year to date, for this year with a target still of 90 percent.

This improved on-time performance is a function of our investment in the Northeast Corridor infrastructure as well as sustained improvements in day-to-day operating efficiencies. Revenues for the year are 11 percent higher than last year for the total system. In addition, we continue to improve our safety numbers, and we are increasing our focus on passenger security.

We have not assumed any new debt in 4 years, as Chairman Laney mentioned, and at the same time, we have also paid down, as was also referenced earlier. So, again, all of our indicators are moving in the right direction.

Going forward, clearly we have challenges. All of this good news, again, does not mean that we do not have serious issues to tackle. It has become clear to me over the first months here at Amtrak that we are really at a crossroads. The company must do everything in its power today to position itself for the future. The decisions we make, the service we provide, the product we deliver today, will determine if Amtrak will truly play a key role as a provider of passenger rail service down the road.

In order to realize the potential, we are developing a strategic plan, which we will have to you shortly, that focuses on continued companywide cost reduction initiatives that will help reduce Amtrak's reliance on Federal operating assistance. Increasing revenue is also, clearly, a key element of the plan and will hinge on Amtrak's ability to add frequencies and to improve revenue management.

Our other key goals and objectives include containing cost growth, improving financial transparency, providing a safe environment for employees and passengers alike, improving the management of our human capital, and, finally, conserving natural resources. By increasing revenue and containing costs, it is our intent to reduce our dependence on Federal operating support over the next 5 years.

Rail infrastructure continues to be a key issue, as you mentioned, of long-distance performance as well. America's rail infrastructure capacity is significantly stretched, particularly in those corridors that are most likely candidates for expansion. No matter what else is done, we will have to address capacity bottlenecks and shortfalls in many parts of our national rail system, most of which is not owned by Amtrak.

Central to our strategy is to position ourselves to expand State corridor service where circumstances and resources permit. It is where the growth and ridership and revenue will lie in the years ahead. If you want to look at models of successful State programs, again as mentioned before, California, Washington and Illinois are great examples.

Overall, our goal for our reauthorization bill is to solidify Amtrak's role in providing intercity passenger rail service. That includes a Federal policy for corridor development and for the improvement of our long-distance services so that they better link State and regional corridors and become a more relevant transportation alternative. Amtrak's reauthorization should also help us take advantage of opportunities to connect Amtrak's intercity trains with other modes of travel.

For each of the strategic goals and objectives we are developing, we will outline a series of specific actions to be taken. It is clear to me that our future hinges on our ability to become more cost efficient and to develop a superior product for our passengers. As I have stated, the central part of our strategy is to focus our efforts on meeting the needs of States, but while we work with States to develop and to expand intercity corridors, we will not forget or overlook the importance of the Northeast Corridor.

The Northeast Corridor is the realization of what a mature corridor should be. As future hearings will address Amtrak's specific capital needs, at that time we will talk more about what we need to do and would like to do in the Northeast Corridor.

Again, in conclusion, it is remarkable that a few years ago, many felt Amtrak would continue moving into more and more serious difficulty. That is no longer the case. Reliability, mobility, and environment, these are things that consistently resonate with America's traveling public, particularly in an era of rising fuel prices, highway congestion, and heightened interest in environmental protection. Amtrak continues to be the most promising and welcomed alternative.

Thank you for your time, and I will be happy to answer any questions.

Ms. BROWN OF FLORIDA. Thank you to both of you.

You know, if you do not have a plan, then in the next 5, 10, or 15 years, we could end up anywhere. And so that is why the plan of having those benchmarks and of having that information is important for us as we develop our budget, as we develop how we can assist making sure that the infrastructure is in place. And so I would like for you all to explain to us when we get back—it's June 12th, 2007, and we have been asking for this since April-May. I mean we really started asking for it in January when we took over the House of Representatives, when we started a new direction for Amtrak.

So as we leave—we are going to have to adjourn for about 45 minutes—perhaps that will be the first question that you could answer when we come back. We have three votes, and then we have got to take our class picture, so we will be back in about 45 minutes.

Mr. SHUSTER. You are going to get plenty of time to think about it.

Ms. BROWN OF FLORIDA. Yes.

Mr. Shuster, do you want to add anything to that?

We will start off with that. Thank you.

[Recess.]

Ms. BROWN OF FLORIDA. Okay. We can come back to order.

I think I had given the first question, so you have had plenty of time to tell us what the status is and to explain for us why we have not gotten the information we requested and how we are going to move forward.

Mr. LANEY. Let me answer that question, Madam Chairman, if I may.

We have, as you know, a new President and Chief Executive Officer. We have a virtually entirely new management team, senior management team. We have three of five Board members who are relatively new. And I guess I will assume the responsibility for the delay because it has been my job, as best I can, to align what amounts to very independent, very involved opinions, all very focused on the future of Amtrak. And we have been at this process longer than I would like. I think we are all a little weary of it. And we have known, at the same time, that you and your staff have been very anxious to have a copy of a final, publishable version of this plan.

As you know and I know, you have a draft, and with that draft came a little bit of a cautionary note that the front end, first few pages of that, would change fairly dramatically or might change fairly dramatically; and in fact, they have changed very dramatically. But the financial piece of that, as well as the strategic targets and actions over the next 18 months and beyond to deliver the results that we have focused on, are there very clearly delineated in the draft that you have. You should have the final copy, I believe, of the plan no later than midweek next week. And in fact, I would be able to deliver one to you today, but there are a couple of outstanding issues that are very material that need slightly more refinement and resolution. And part and parcel of the challenge is we have Board members who are scattered to the winds and who have their own independent lives and livelihoods they need to take care of, and it is hard to get everyone at the same place at the same time.

It is no excuse. It has been my decision to slow it down for quality's sake. I would much rather deliver something of higher quality than of higher speed, so we will have it to you shortly. My regrets.

Ms. BROWN OF FLORIDA. Well, let me ask one other follow-up question here.

Mr. Kummant has been the Amtrak President and CEO since September 2006. How would you rate his performance?

Mr. LANEY. Well, he probably cringes as I punch my talk button and begin the discussion here, but Mr. Kummant has stepped into a whirlwind of activity, and has been on a very steep learning curve, and has learned and has understood this business, principally I think because of his background and his training, faster than I could have imagined. I expected that at the time we hired him, and he has done a superb job of assembling a senior management staff, and has in effect taken control of an organization that was already moving fairly quickly forward in a direction. He picked up on that direction and gave it a little more shape and direction, and worked very carefully with the Board to try to deliver what you are about to see next week. So I give Mr. Kummant a very strong "A" for performance over the last few months.

Now, that could slip, of course——

Ms. BROWN OF FLORIDA. Of course.

Mr. LANEY. —but so far so good.

Ms. BROWN OF FLORIDA. So far, that is good. That is very good to hear, too.

Mr. Shuster.

Mr. SHUSTER. Thank you.

I mentioned in my opening statement the importance of some of these high-density corridors, the Northeast Corridor I think being the number one corridor in the country for your train service. And I see you have had some significant improvements there, not only in ridership but in improved revenues.

Have the folks at Amtrak done any recent studies on the price tag of what it would cost to make the Northeast Corridor a truly high-speed rail corridor where you could have a train getting speeds up to 180 miles/200 miles an hour?

Mr. KUMMANT. Let me answer that in a general case.

First, what we have looked at is a gradual increase of velocity and, really, of the reduction of trip time and of the reduction of slow orders. The notion of even taking that corridor to sort of a European high-speed standard is really, frankly, very remote, given the commuter traffic on that line as well. And we do run in a mixed mode. There are something like 50 freight trains on that lane as well. So the notion that it is going to be a true, dedicated high-speed line is probably not in the cards for a long time.

What we are looking at and, in fact, are in the process of launching—we are meeting, in fact tomorrow, with very high-level folks from all of the Departments of Transportation, the States, and the high-speed corridor—is to really create a capital master plan looking out over the next 10 to 20 years in order to identify what really needs to be done on capacity overall.

So that is: What do we need to do with bridges? What do we need to do with tunnels? How do we get through New York City faster? How do we get through Baltimore faster? How do we expand slots for commuters? How do we increase overall train miles for Amtrak?

So that work will be going on here very seriously over the next year. But as to the notion of pure velocity, I would say it is highly unlikely you will see much more than what we see at our peak in Connecticut and in Rhode Island of 150 miles an hour.

Mr. SHUSTER. And unlikely unless we build a dedicated line?

Mr. KUMMANT. Yes. It would have to be, really, a dramatically new structure. And in fact, you would have to decouple the commuter network from our network because it is unlikely that you would really mix those two modes.

Mr. SHUSTER. Would you have to put a 100 percent dedicated rail or——

Mr. KUMMANT. Yes. I mean that would be the extreme. I would imagine, you know, you might have to put some sort of—and I am just making this up, and there are probably people cringing in the audience, but I mean you would have to put major bypasses around cities in order to do that——

Mr. SHUSTER. Right.

Mr. KUMMANT. —of probably large sections that would be completely new at a very high cost.

I would say there is a great deal that we think we can do with the existing structure, and the real trick here is not so much reaching higher speeds, but it is reducing disruptions. Again, an example is we drop down to 20, 25 miles an hour for a pretty long stretch through Baltimore. So if you would eliminate that, you would get a whole lot more out of that than if I took 150 miles an hour to 160 miles an hour through some of the wide open stretches. So it is really reducing those rail delays that is key.

Mr. SHUSTER. Do you think you can get the Acela up to the speed of 110 miles an hour?

Mr. KUMMANT. Well, on an average basis, I would have to talk to the engineers about that sort of calculation, but we do hit 135 south of New York, and we do hit 150, again, north of New York, and I think we can certainly—south of New York, there are a lot of projects. The quality of the catenary, the actual conductive wires that run over the track, is something that we will be gradually renewing south of New York, and that is very much a determining factor as well on velocity. So there is a lot we can do.

Mr. SHUSTER. I know the Keystone Corridor has been very successful—Harrisburg to Philadelphia. The average speed is 110; is that correct?

Mr. KUMMANT. Yes, I think we get up to that. And you know, we cut—I do not know—something like over a half an hour in travel time, and we are up to 85 percent on-time almost. So——

Mr. SHUSTER. It has been very, very successful.

Are you going to be able to use that as a model or to duplicate that in other places in the country?

Mr. KUMMANT. Yes. I think there are some unique issues there. One is that there are very few highway crossings and very few road crossings there. It was a very well-engineered railroad to start with. It was originally electrified. I think there are a couple of other areas around the country we would like to look at, but I think one of the more interesting things as well is to look at some of the bigger corridors between population centers where, nevertheless, we could cooperate with the freight railroads and perhaps with major capital infusion.

If you look within Florida, Florida certainly has a great population center, opportunities out of Miami. D.C. south to Richmond is very congested. There are very big needs. If you look at L.A. North to the Bay Area, there would be opportunities there. You know, you are talking about significant capital, but you are also talking about significant population centers. Detroit to Chicago would be an example. There is a 35-mile stretch across Indiana that is very difficult to get across, but we actually own almost 100 miles of track into Michigan where we run almost 100 miles an hour, 95 miles an hour. So there is a lot, I think, around the country that could be done.

Mr. SHUSTER. I have one last question. I see my time has expired.

Are we going to get another opportunity?

Ms. BROWN OF FLORIDA. Yes.

Mr. SHUSTER. Okay.

Just really quickly, how many high-density corridors are there in the country? I think I read somewhere there are 17. Does that sound right?

Mr. KUMMANT. Forgive me, I would have to ask. There are designated corridors—I can look over my shoulder here.

There are 13 designated corridors.

Mr. SHUSTER. All right. Thank you.

Mr. KUMMANT. Sure.

Ms. BROWN OF FLORIDA. The Chairman of the Full Committee has joined us, Mr. Oberstar.

First of all, let me just thank you for conducting the last two hearings when I had to be in Florida with family obligations, but I know no one missed me because the transportation guru was here. And I am just really pleased with the leadership that you have provided for our Committee, and we are moving forward. I will turn it over to you at this time for any comments and questions that you may have of our panel.

Mr. OBERSTAR. Thank you, Madam Chair. On the contrary, you were very much missed. Your insight and your driving force and your commitment to Amtrak and to passenger rail service and to the whole issue of freight rail is well-known and greatly appreciated. And we missed you, and we certainly hope your family, your mother and grandmother, are doing well.

Ms. BROWN OF FLORIDA. Yes.

Mr. OBERSTAR. That is reassuring. That is wonderful.

Mr. Kummant, you come to us, for once, with some good news about Amtrak. It is not a surprise because those of us on the Committee have been following things very closely. And I liked Mr. Shuster's question, but I did not like the answer.

When are you going to get up to speeds of 185 to 200 miles an hour as they do in Europe? It is a good question. The answer is, as you said, not for a very long time, maybe not at all.

I cannot accept that answer, because we can achieve those speeds. We can improve. It is a matter of priorities. It is a matter of capital investment. It is a matter of the mechanics of the operation of our passenger rail system, and whether this Nation—it is not whether Amtrak is willing but whether this Congress, speaking for the people of the country, is willing to prioritize and to make the investment that we need to make in the capital account to make Amtrak the best that it can be, the best that we know it can be.

You cited a moment ago the need for improvement in the catenaries. That is just one of the capital investment needs of Amtrak not only in the Northeast Corridor, but it is one of many capital investment needs across the country.

I have to tell you that I am disappointed that 3 months ago I asked for a listing of the capital investment needs of Amtrak in a meeting that we had in my office, and it took 2-1/2 months to get a document. Now, if Amtrak is serious—and you know what your needs are; you know what the requirements are; this was not a list that I asked for as an endorsement by Amtrak, but as simply a listing of all of the capital account requirements that then we could evaluate and prioritize and decide which ones we were going to fund first and which ones we could get money through the Appropriations Committee for, those for which we could bring the administration along, but it did not need to go before the Amtrak Management Board to be reviewed. I have to tell you that. I am very, very disappointed about that attitude.

I have said many times how my own experience with passenger rail deteriorated over the years. I have seen it unfold before my eyes. When I was on my way to graduate studies in Europe in 1956, I went by train from Minneapolis to the East Coast. The first leg was on the Milwaukee 400— 400 miles in 400 minutes. That was the premiere passenger service of its time; at least we thought so in the Midwest. Now you can hardly get to Chicago by air in 400 minutes. By the time you drive to the airport, park your car, go through security, have a ground stop and an air hold and a weather problem, you cannot even do it by air. But we can do that by rail if we ignite the Midwest Rail Initiative, which was one of the projects recommended in the study of passenger rail initiatives, corridors, in pursuance of the direction and the funding for it in ISTEA of 1991. I was the author of that language.

So of nine of your studies, six were recommended. The Midwest Rail Initiative was the primary hope for success.

Let me ask you and Mr. Laney: What does it take, now going forward, to sort of inspire the Midwest Rail Initiative to get started?

Mr. KUMMANT. Well, I think—well, what we are working very hard at, as I have alluded to in the past, is in pivoting our whole organization to face the States. So as we engage with the State DOTs and with the States and with the groups of regions, I think we really can articulate their particular needs, and, as you said, we can come up with very specific capital plans. But we also have to do that in conjunction with the freight railroads because, again, those are clearly along those rights-of-way, but we continue in those dialogues very intently.

I am very interested, for example, as I have alluded to before, in looking at Chicago-Detroit. There is, I think, a large but manageable piece of capital that would get us across Indiana much more quickly. And I think all of those dialogues are occurring with a lot more intensity as we pivot our whole organization to make that our future. We have said very clearly that, going forward, the States are our future, and that is really where the ridership is going to be.

Mr. OBERSTAR. There is the Northeast Corridor where you have this massive population concentration, where there is a rail infrastructure in place for passenger service, and it can go all the way down the East Coast to Florida.

Then you have the Midwest. Then you have the long line across the northern-tiered States to the Pacific Northwest, Seattle. Then there is the California connection where, as your figures showed, passenger service is growing some 21 percent, and the State of California is a willing partner.

Here in the Midwest, within 300 miles of Chicago, are 17 percent of the flights in and out of O'Hare. If we removed 15 percent— even, say, 10 percent—that would be a reduction of about 100,000 operations at O'Hare Airport, freeing up short-haul airspace and taxiways and landing and parking space. Free that up for long-haul service, which is far more valuable than 300-mile short-haul service in aviation, and provide that by rail.

St. Louis lost its nonstop service to London Heathrow when Carl Ichan bought TWA, sold it off, sold off that nonstop route to American Airlines. Then, eventually, TWA declined and was absorbed by American. They have no nonstop service abroad.

You could take a high-speed train from St. Louis to Chicago, be there in 2 hours, have your bags checked through security, carried on a secure railcar, check right into O'Hare and, as a passenger, board in a secure environment and get frequent flyer miles for your rail travel, fly off to London or wherever else in Europe that passengers typically go from that airport, and continue that service Chicago, Milwaukee, Madison, Minneapolis-St. Paul.

Then you cited the sections going east. That makes so much good sense to have an intermodal passenger rail service system. We need the Midwest Governors to get on board and to be part of this thing. I have a problem in my own State. My own Governor of Minnesota does not see the bigger picture, but I am working on that. I would like Amtrak to take some initiative here and to lead the way. Stimulate the States. Motivate them to get going.

Now it has come back to the Northeast Corridor. As Mr. Shuster said, we would sure like to see much higher-speed traffic on the East Coast. You would have a massive growth in passenger service. Ms. Brown has advocated this many, many times throughout hearings we have held over previous years.

You mentioned that in the Baltimore area, speeds are reduced to 20, 25 miles an hour. What does it take to upgrade the speeds there?

Mr. KUMMANT. Again, that is the fundamental tunnel issue, and that is a multibillion-dollar issue. It is probably about a $2 billion issue to build either a new set of tunnels or to entirely refurbish those tunnels.

If I may, sir, I would like to go back and just, again, tip my hat to Illinois. You pointed out the tremendous opportunities there. Now, we are talking about the conventional speeds, but that is a State that has doubled its commitment, its financial commitment, and it is pushing very, very hard to even put, you know, multibillion dollars out from a State level. So I think that is a great story, and we expect to continue to work very closely with them as well. But, again, Baltimore—getting back to Baltimore, again, a multibillion-dollar new tunnel issue is the fundamental——

Mr. OBERSTAR. That needs to be spent for security purposes, a good deal of it for safety purposes and the balance for improving travel speeds in the corridor. But give us some figures on this. Give us some hard numbers and analyses and a suggested incrementalization of the investment. We will address the funding issues. We will be the advocates for it here on this Committee, but we need you to help us with the numbers. You are the ones who are "in the know" on the capital requirements.

I will withhold further, Madam Chair, at this point.

Ms. BROWN OF FLORIDA. Thank you, Mr. Chairman.

Mr. Brown. Did he leave? He stepped out. Okay.

Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, Madam Chair.

I was reading also, with great interest, a portion of our memo that gives us information, and it talks about the track conditions of the private rail that you use.

In what condition would you need them to be to be able to provide either faster service or on-time delivery service? Because if they are not upgrading their infrastructure, you are suffering. How is that affecting you to be able to carry out your mission?

Mr. KUMMANT. Sure. There is no question it is a significant issue. We, for example, have just signed a new 6-year agreement with Union Pacific where they have specifically designated a reduction in delay time that is associated with slow orders. So there is no doubt, if you look at some of our major routes, slow orders are a big issue for us and hurt us on some of our long-distance routes.

We also have in the summer heat order issues where, when temperatures rise over a certain degree, different railroads have different approaches to slow down their railroad for safety reasons; and that, in a sense, is also an infrastructure expenditure issue.

So, again, it is a difficult dilemma for the freight railroads. They are fundamentally geared economically toward supporting freight and freight velocity, and they are trying to generate a return on capital for their shareholders. Nevertheless, clearly, there is a bit of a natural conflict with the type of slow order reduction velocity we need to really be effective. So that is a challenge, and we continue to work through that with each of the railroads.

Mrs. NAPOLITANO. Well, given that, especially on the West Coast, you are going to have an increase in traffic that is going to further constrain the use of the UP or of the NSF lines, how are you working that out? Are you working with not only the railroads but also with the States to be able to find a way to be able to do all of the above—upgrade the infrastructure, find a better relationship so that you will be able to share more of it? Because they are going to be increasing the use of their rail capacity. What will you do then?

Mr. KUMMANT. Well, again, there are no silver bullets there. It is day-to-day management. It is bringing the respective organizations closer together. We are spending more time with their dispatch operations to understand how they can dispatch more effectively. Our engineering groups do get together. Again, we have got very specifically targeted capital programs to reduce slow orders. And going forward, I can certainly envision, as we talk about Federal-State capital grants or matching grants, that those funds can go to debottlenecking very specific capacity constraints. And then that is an area in which we will have to continue being active, going forward, where we just really sit down with the freight railroads and say, you know, ″Here are a whole series of projects. What is the schedule? How do we get through them? How do we fund them?″ it is about capital. It is about reducing constraints.

At the same time, certainly, every projection one reads over the next 15 years is still for dramatic freight volume increase, so there is no doubt there is an overall challenge with the capacity of the entire freight network.

Mrs. NAPOLITANO. How are you planning to address it?

Mr. KUMMANT. Well, again, we do not have a simple solution to that other than going through, identifying and prioritizing bottlenecks and working with the freight railroads to put capital into those areas.

At the end of the day, it is an intersection of essentially a private company and public policy where—and this is just a personal view—we are collectively going to have to find more and more ways to get public capital into debottlenecking the overall rail network.

Mrs. NAPOLITANO. Well, Amtrak got to reach much of the ridership gains in recent years due to collaborative efforts with the State governments.

Can you describe what those partnerships have been? How have they been successful? Are you continuing to press forward on those?

Mr. KUMMANT. Sure.

Great examples, again, have been mentioned here in some of our opening comments. California, for example, since 1990 has put somewhere between $1.8 billion and $1.9 billion into the railroad infrastructure themselves, and those are unmatched dollars. Illinois has done something similar. They also have doubled their support number over the last couple of years. The State of Washington has done a very good job in collaborating with BNSF in terms of putting something between $300 million and $400 million into their rail infrastructure. And if you look at those three States, that is where the frequencies are; that is where the real growth has been; and that is where the State corridors are doing very well.

Mrs. NAPOLITANO. So there is a correlation, then, between the success for economic development, so to speak, and the ability to get your goods delivered on time.

Mr. KUMMANT. Very much so, yes.

Mrs. NAPOLITANO. Thank you, Madam Chair. I will wait for the next round.

Ms. BROWN OF FLORIDA. Yes.

I see that the Ranking Member, my colleague from Florida, has joined us. Mr. Mica.

Mr. MICA. Thank you.

I am pleased that the Rail Subcommittee is asking for some of Amtrak's strategic reform initiative information.

I probably share the Chairman of the Full Committee's interest, too, in trying to get in the United States one high-speed rail corridor. I was not here during his questions. I was preoccupied. It was my understanding that Mr. Oberstar had requested information on what it would take to get the current Northeast Corridor up to a higher speed.

Is any information being prepared in that regard?

Mr. KUMMANT. Yes. I mean, we certainly have prepared and have submitted quite a bit of information on trip time reductions which, in the end, are average velocity improvement.

Mr. MICA. Right now, our average speed is, what, 84 miles an hour?

Mr. KUMMANT. I understand it is something in that neighborhood. But I do understand his fundamental question or that the question at hand was: Will we anytime soon exceed 150 miles an hour as a top speed? Given the current overall structure, I said that that would be highly unlikely, but we do have a whole series of projects that includes continuing trip time reduction.

We are also, in fact tomorrow, launching a capital master planning effort in a collaborative effort with the States along the Northeast Corridor where we will go through and really look at a 20- to 25-year vision on how do we really grow the entire corridor, what is the future of the commuter, where do they need slots, how do we increase velocity?

Mr. MICA. Okay. Commuter versus high speed, you are going to look at both?

Mr. KUMMANT. Yes, sir. Well, we are looking at the corridor in totality in terms of——

Mr. MICA. I think you—and again, I was not here, but first of all, what is the maximum speed you could get out of the system if you put into play all of the improvements that you could out of the current trackage that you have?

Mr. KUMMANT. Well, again, our peak velocity is 150, and I would have to go back and look at what an overall average speed trip time would be.

Mr. MICA. I have not seen anything that exceeds like 85, 89 miles an hour. Is there something that you have?

Mr. KUMMANT. It is probably not dramatically more than that, but we would have to go back and look at that.

Mr. MICA. And I think you answered his question.

To get to TGV speeds or true high-speed rail, you would have to develop a separate corridor?

Mr. KUMMANT. Essentially. Or you would have to take major segments of the corridor and develop a dedicated line.

Mr. MICA. Why not have us put out for bid a contract on the Northeast Corridor to put in high-speed service?

Mr. KUMMANT. Well, again——

Mr. MICA. I mean that is not your decision. That is Congress' decision. Would you oppose that?

Mr. KUMMANT. I do not oppose in principle looking at new alternatives, looking at——

Mr. MICA. Actually, it would do quite a bit to free up that corridor for both freight and commuter service.

Mr. KUMMANT. Well, it is a very broad question.

Mr. MICA. If I took Acela, your high-speed service, off there and we just did commuter and local and freight service, wouldn't that dramatically free up the corridor?

Mr. KUMMANT. Well, if you look at overall train miles, we are still the dominant user in train miles. So certainly it would open up a corridor for commuters, but you would essentially lose, you know, 10 million riders that we have today.

Mr. MICA. Ten million riders for what?

Mr. KUMMANT. For noncommuter service. That is the Amtrak and——

Mr. MICA. It is Acela?

Mr. KUMMANT. It is Acela and our regional product, yes.

Mr. MICA. Well, again, you have heard of Richard Branson and what he did. He bought into the two north-south lines—one going up towards Edinburg, the other having 33 million passengers. Your total passengers are, what, 26 million for the entire system?

Mr. KUMMANT. Twenty-five million.

Mr. MICA. Twentyy-five million for the entire system.

Mr. KUMMANT. Right.

Mr. MICA. He just took those two corridors—and we had the rail folks in— he put 10 billion U.S. dollars and 5 billion pounds into it. He put in all new equipment. He increased the ridership from 33 million to, I think, in the 44-million range, and he paid a dividend for the last 3 years.

Now, I have asked continually for you all to separate out the Northeast Corridor activities and finances. Has that been done yet?

Mr. KUMMANT. We are in the process of really restructuring our whole system. Our whole financial reporting system is——

Mr. MICA. Can you tell what it costs to run the Northeast Corridor?

Mr. KUMMANT. You can essentially tell what it runs, but we have legacy financial systems that we are working through. We have a new CFO, a new CIO. It is a very broad effort to really improve the financial clarity and transparency that I have committed to.

Mr. MICA. Do you have the authority to contract out for services? Say if we wanted to take the Northeast Corridor, which is the only asset you have, you accumulate scattered assets and bid that out, both for the development of the corridor and for the operation of the corridor, do you have the authority to do that now?

Mr. KUMMANT. It is really varying opinions on that because there is a whole underlying tax structure of the organization. It is not entirely clear how easy it is.

Mr. MICA. It might have to be separated out by law?

Mr. KUMMANT. That is an under——

Mr. MICA. It could be done.

Mr. KUMMANT. It is not a piece of work we have worked on over the last year.

Mr. MICA. Finally, I went up to New York City and got a briefing on the Madison Square Garden moving Penn Station; and, first, my eyes were opened. I never realized that Farley Square, the Farley Station, which is the principal rail station when all the mail was brought in, I guess, from the '30s separated in Farley Station, which is about a block long. You ought to go up and see it.

Farley Station is basically vacant property. It is only the Federal Government could screw up a potentially productive asset, leave it sitting like that. I think they said they had 12 stamp windows where they sell stamps. And the final decision on relocating the rail, part of the rail service in that location, part of the hang-up is getting Amtrak to make decisions. I am sure it is part of a larger picture.

Do you have any idea when you would be prepared to make a decision on developing that asset? The plan, as I understand it, is to take Madison Square Garden, rebuild it where Farley Station is. That would be a new passenger terminal. Then go back, got Madison Square Garden, put a couple towers and additional service that would be sort of intermodal and sort of cross-platform transfer.

When do you think we will be able to move on that?

Mr. LANEY. That is not our decision.

Mr. MICA. Who would make the decision?

Mr. LANEY. The decision—we are part of the decision, and we are moving forward quickly, but it is led by some developers in New York; also, the State of New York; also, the City of New York.

There is a development authority involved and a number of other parties. We are working as cooperatively and constructively and effectively as we can to move it forward, but it is a very complicated project, as you know. We would love to see it materialize. I think a lot of the oddsmakers put it at less than 50 percent.

Mr. MICA. Well, there was about $300 million, I think, some seed money from Congress. The deal could be put together if everybody at the different governmental levels would make the decision, because there is nothing but revenue to be gained out of a project like that. It will support itself. I am just a small-town developer, but that project will work if we get a pledge from you all to continue working, which I am sure you will do.

I have more questions, but I will reserve the balance of my time.

Ms. BROWN OF FLORIDA. All right. We want to give him as much time as he needs.

Let's go to Congressman Cummings, then come back to you.

Mr. CUMMINGS. Thank you very much, Madam Chairlady.

Mr. Laney, I have always had concerns over the last several years about Amtrak not getting the kind of support that it needs to sustain itself. As one who lives in the northeast section along that corridor in Baltimore, a lot of my folks depend upon Amtrak; and to that end I want to ask you just a few questions.

First of all, going back, there have been all kinds of proposals about the States taking more—putting more money into Amtrak services. I mean, is that where the Board is going?

Mr. LANEY. The short answer is, yes, that is where the Board is going. Because, ultimately, we need support from a capital standpoint for growth; and as the Federal operating support diminishes, we are going to need some sort of supplemental support from States involved. A lot of States, as you heard already, are heavily involved on an unmatched basis, but we have been pressing very hard for the importance of an addition of a match funding program of some sort in the reauthorization. But, yes, sir, the short answer is yes.

Mr. CUMMINGS. With regard to capital funding—I don't know what you may have discussed before I got here, but I apologize to keep repeating—Amtrak's own fiscal year 2008 grant seeks $1.5 billion, is that right, on Federal funding—in Federal funding, including $760 million in capital funding, is that right?

Mr. LANEY. Yes, sir.

Mr. CUMMINGS. The DOT Inspector General has indicated that at least $1.4 billion, or roughly double what is requested by Amtrak, is required to keep the system from falling further into disrepair. Are you familiar with that?

Mr. KUMMANT. Maybe I can chime in briefly. I believe the DOT Inspector General suggested that for a total funding level, including the operating support number, that he felt we would need 1.3 to 1.4 billion. So I believe the number that we are talking about is an all-in number, which actually is fairly consistent with our view.

Mr. CUMMINGS. So what do we need for capital repairs and maintenance. Is that the figure you are saying?

Mr. KUMMANT. The $700 million really includes all those figures.

Mr. CUMMINGS. Now where are we on this labor agreement? I spoke before with the unions, must have been a month ago; and, you know, when they told me it has been 7 years, I just wondered why is it taking so long to come up with an agreement.

Mr. KUMMANT. Let me address that, sir, if I may.

First, I share that. I would love nothing better than to have that behind us so we can really get on and run the railroad.

We are in the middle of actually very serious dialog with three different unions. We have one deal that is out for ratification, one that is I believe very close to a handshake deal to move forward, and another where we have had a high-level discussion and an agreement to come in and have a very detailed discussion.

I think, as you know, the issues we really have on hand, first, we have put a very competitive pay package on the table that is very similar to what was just ratified with the freight railroads. So we are very consistent there.

There does remain, obviously, a very difficult question of the unions asking for a back pay number. That back pay number in total would have a $200 million price tag on it. What we have on the table is a bonus payment, which is less per person clearly than the total back pay but is something that we can fit into our total financial profile. So, absent some sort of action entirely outside of our financial ability, that $200 million would really be impossible for us to deal with. But, at the same time, I do think that there is a number of discussions and very serious, honest discussions we are having that are moving toward a potential agreement.

So we do have a bonus payment on the table, we do have wage rates that are very competitive with the freight railroads, and we are clearly—and I am sure you have heard this. What is very important to us is workplace flexibility issues, and that often becomes one of the sticking points in our discussions with the unions.

Mr. CUMMINGS. I see my time is running out, but let me just ask this last question. The differential between—you kept mentioning freight, and I appreciate it, but what about the difference between Amtrak workers' pay and, say, transit agencies, other transit agencies?

Mr. KUMMANT. Some of those gaps have grown; and, honestly, that is the result of only having some COLA for 7 years. Sometimes you will hear gaps referenced that will be much, much narrower after a deal. But there is no doubt that large gaps have opened up along many of the trades and many of the types of occupations, and that is a big concern, and that is another reason that I very much would like to get some deals done. We will never be able to head to head completely compete with some of the very high-paid railroads, for example, Long Island Railroad, but we can close that gap substantially.

Mr. CUMMINGS. May I ask one more question, Madam Chair? Just one.

Ms. BROWN OF FLORIDA. Yes, sir.

Mr. CUMMINGS. Just one.

I guess one of the things that concerns me is it seems as if we—the argument that you hear made all the time is we pump a lot of money into air, the air industry and others, and then when it comes to trains—the other day somebody stole my car, and I took the train over from Baltimore. And, I tell you, I had a chance to really talk to some folks. It was a blessing in disguise. But I said to myself, these people get up early—I am talking about I caught the train at 6:15—and they work hard.

I am trying to figure out when you all look at your numbers are you all saying we just accept what we are told to accept? Do you all come up with the numbers? Does somebody else come up with them?

Because, in other words, I am trying to figure out can we do more or are you all in the position as the Board to say, look, this is what we need to really do this, and this is what we need to run a first rate—and do you ever say, look at what you are doing for the airline industry?

But we have got hard-working Americans getting up at 4:30 every morning trying to make it and then these employees doing the best they can with what they got. Do you ever make any of those arguments?

Mr. KUMMANT. We have got a great workforce.

Mr. CUMMINGS. I know. That is my point.

Mr. KUMMANT. I will say this. The Board has moved substantially, and the numbers that we put on the table in March are very, very different and I think show a real commitment to trying to get there. So I would say we are doing everything we possibly can, and I am personally involved, I personally, through the numbers. I see the comparisons. So I say it is a very personal issue for me, and I am very committed to do what we can, and I think we have got some very fair packages on the table.

Mr. CUMMINGS. Thank you, Madam Chairlady.

Ms. BROWN OF FLORIDA. Thank you for raising those issues, all of the Members.

Let me say for the past 6 years we have been doing all we can just to keep Amtrak afloat when the administration provided zero budgeting they recommended. So now that we have a change in leadership in the Congress I feel that we are moving forward and we are making progress, but it is very important on this one particular area in the area of labor negotiations and agreements that we do come to some conclusion because we want to move—I mean this Committee—we want to move the industry forward as we move freight; and we want to move Amtrak forward, also.

So as a follow-up question, one that I have heard a lot about, back pay. It has been since 2000 when the contract expired, but the Amtrak board decision not to give back pay, can you talk to me about that? Because it is a major problem. It is like the story of the chicken and the pig. They have given all, the Amtrak employees. So where are we with this back pay issue?

Mr. KUMMANT. It is no doubt a sticky problem; and let me go back a little bit, to 2002. David Gunn actually sat with a group of union leaders and laid out five principles for labor settlement back in 2002. The very first one is the freight railroads had just agreed to a deal; and he said, we will match that freight railroad deal or be competitive with that deal. Number two, we need workplace flexibility; number three, we need health insurance containment; number four, no workplace flexibility will result in a furlough of any employee; and, number five, we will not offer back pay. That was back in 2002.

The intent at that point was for all parties to quickly try to move to some sort of resolution. Unfortunately, here we are 7 years later; and that one principle has now ballooned into a $200 million issue. Again, that alone, if you were to say, hey, let's just write a check for that, we are not capable of doing that within the framework of our own financial structure. That is the simple reality of it. We can probably meet on a bonus payment something between 30 and 40 percent of that, and that is the basic structure, the types of offers we have on the table today for the back pay issue.

Ms. BROWN OF FLORIDA. Mr. Laney, can you speak with that, as chairman of the Board? Because, I mean, the Board has to, I guess, approve whatever recommendation.

Mr. LANEY. Yes, ma'am, we do. I don't know that I can add anything to that.

Ms. BROWN OF FLORIDA. I just want to hear you on the record where you stand.

Mr. LANEY. Well, let me just say that I have been here since about the time David Gunn mentioned or laid out to the union those principles, and I agreed with him then, and I agree with those principles now.

The ultimate issue from our standpoint is workplace flexibility or, as you have heard it called otherwise, work rules. Without some additional flexibility in a significant way, there is not much future from an economic performance, financial sustenance standpoint for Amtrak, as far as I am concerned.

Back pay is a sticking point, but, as President Kummant has just said earlier, I think we are within striking distance of some resolution with our major unions, and I would like to see us go there. It would be very helpful for all parties to move forward and move past the back pay issue.

Ms. BROWN OF FLORIDA. Okay. I would like to ask unanimous consent that Mr. Baker be allowed to participate in today's hearing and sit in with questions to the witnesses.

Without objection, so ordered.

Mr. Baker.

Mr. BAKER. Thank you, Madam Chair. I appreciate the courtesy extended and that of other Members and the witnesses who are anxious to get on with the matters at hand.

Mr. Laney, I want to revisit what I think I heard you express a moment ago relative to workplace flexibility. Your response was to the point—and I want to make sure that I do not mischaracterize—that without appropriate flexibility and workplace environment that the financial future of Amtrak is cloudy at best.

Mr. LANEY. The short answer is, yes, sir. There is so much pressure in the rail industry generally and on ours in particular in terms of efficiencies from a financial standpoint, and our biggest challenge from a financial standpoint is our labor costs.

Mr. BAKER. Let me, if I may——

Mr. LANEY. Can I add one thing?

Mr. BAKER. Certainly.

Mr. LANEY. What we envision over time is, as you have seen and heard from all Members, is there are a number of pressures, whether it is rising trends in gasoline prices or congestion in air and highways and the inability to fund an expansion enough to handle the loads of traffic on our highways, there will be rising levels of demand for rail. We have got to be able to address that growth and address it from a financial standpoint in terms of efficiencies that we cannot deliver right now without——

Mr. BAKER. I certainly understand. I don't think we want to be in the position of the more service we offer, the more money we lose, which gets me to the operational metrics. I have been concerned—and let me acknowledge at the outset I have not been the most ardent of Amtrak supporters, but it is not because of the disagreement with the basic purpose of the operation. It has been with a frustration over the lack of what I call appropriate financial metrics to understand where the pressure points may exist and to what extent services may be modified or changed in order to achieve what I believe is the intent to provide economical, on-time service to people who otherwise would not be served by any other provider.

To that extent, would either of you have—or let me back up. Since my last visit to this subject matter over the last 18 months, have there been no reporting methodologies, establishment of new or different metrics or financials in a better condition to be able to report operational bottom line? Do we have a better cost per passenger mile operational assessment? Have we had customer satisfaction surveys to find out what is good, what is bad? What is the progress with the Acela line?

In other words, make me feel good that where we are today is not where we were 5 years ago when we were collecting fares on cars with cigar boxes and wondering why we couldn't figure out the cash flow.

Do you have financials that are deliverables, that someone could look at and objectively say I know where we are and I know how much we are going to lose, and this is why?

Mr. LANEY. That is a lot of questions, and I am not going to try to answer them all. Let me start with answer one. Then I would like to give it to our CEO for a little more detail.

One is, are we today where we were 5 years ago from a financial standpoint, from a ridership satisfaction standpoint, from our all-over ridership and revenue standpoint? Absolutely not. It is a different operation than it was 5 years ago as far as I am concerned; and, more importantly, it continues to head in the direction I think you would like to see it head. As I said earlier before you were here, it has moved farther than I expected it would move, not as fast as I would hope.

Mr. BAKER. How do you square that with the opening statement that, unless we get workplace flexibility, the financial future of Amtrak is very bleak?

Mr. LANEY. I expect we will have workplace flexibility.

Mr. KUMMANT. Well, let me just make a couple of comments about where I think we are really moving the ball and then to your fundamental question about structure of the financials.

If you look at the Acela product, for example, and we do plenty of customer surveying. Customer satisfaction numbers are up significantly, and the share numbers are up dramatically. We are actually taking share from the airline industry along the Northeast Corridor.

Ridership is up over 20 percent year over year. Overall, Amtrak revenue is up 11 percent year over year. We have a very specific measure of revenue per available seat mile that is up in almost every category. So there are very specific measures that we are doing well in.

Safety tends to be something that within the railroad industry is very, very meaningful to rail guys, because it is such a measure of how kind of management and front lines work together. Safety is improved on a reportable incidentbasis——

Mr. BAKER. Let me get a couple things on the record, because my time is about to expire. They extended courtesy the allow me to do this.

For the record purposes, if you can provide the cost per passenger mile—you can pick any two routes you want—between route A and B. If you can give me some year over year data, if you can show me where the projected operational deficit will be reduced over time and for what reasons or factors.

The other thing I was going to start out asking, but I got diverted, there is an act that was passed in 1993, the Federal Program Performance Review Act, which is subject—a number of governmental agencies are subject to some sort of metric analysis, and I can't see why Amtrak would have been exempt.

And I know the GSE argument, that you are not really fish or fowl. I don't go there. I think as long as you are getting operational subsidies from the government, there is a standard to report to the government to disclose why we are in the mess we are in.

If you can at some point respond—not today—to whether you would have a policy objection to being made subject to the Federal Program Performance Review Act, and that is simply an ability for us as indirect shareholders to be able to get a way in which we can look at operations and feel better or worse about where we are going.

I hate that the time has been so limited. I am sure you are enjoying it, but I really, really want to try to work with you. This is not about shutting Amtrak down. This is about trying to get us on a basis where we can all say we are standing on solid footing.

I thank the gentlemen and the gentlelady for yielding time.

Ms. BROWN OF FLORIDA. Yes. Mr. Baker, I want to make a point here, because I am glad you came to the Committee, and I am glad you asked the questions.

But on the other half of my concern, you, coming from your area, I had a question that I want to ask them on the Sunset Limited, when the people from that region have come to my office and have discussed that particular route is not financially—one that is financial—but there are other things I want them to consider when they develop whatever model, and one of them is homeland security.

We need to have another way to get those people from that area out of harm's way. Amtrak would be one way, but that is not a profitable line. That is a problem. The profitability cannot be the only factor. Clearly, we need to have a way that—economics is part of the plan, but also we need to look at security.

I have had several meetings with them. I have called Mr. Laney about this issue, because I want them to put that train back on and run it at a time that—not 2:00 in the morning. But if we had another Katrina, we would already be up in operation and could get those people out of harm's way. But it does not work for them financially.

So I want them to consider other things other than just finance when they consider it.

Mr. BAKER. Would the gentlelady yield?

I don't dispute the Chairlady's observations at all. There should be other considerations in determination of whether a public service is continued. All really I am suggesting is that we have that discussion; and if the gentlelady chooses to support the continuation of a route even with the knowledge that it does not necessarily cash flow, that is fine with me, because we subsidize a lot of things.

However, this is a little different. Certified annual financial reports, quarterly operating expenses and revenues, things that any other entity, Fannie Mae or Freddie Mac—that is a bad example because Fannie is kind of late right now on theirs. But my point is at least there is requirements; and all I am suggesting, Madam Chair, is if we can come to a standard for reporting and understand the scope of our liabilities, it will help the Congress plan and I think encourage Amtrak to make the proper decisions subject to——

Ms. BROWN OF FLORIDA. Perhaps we will let them answer that question, because they had discussed it earlier. Why don't we just give you a moment to answer.

Mr. KUMMANT. We produce monthly performance reports that are sent to the Hill and are posted on our Web site. Can every financial system be better? Yes, and we certainly are beginning a process to put the entire company on an SAP enterprise system and again have brought in a new CFO, a new CIO. But there is plenty of financial information available, as well as on our route level.

Mr. LANEY. We also have annual independently audited financial statements available at any time to you.

Mr. BAKER. If I may, I am not disputing that there isn't a financial regime in place, Madam Chair. I am just saying the information we get does not address the concerns that I have raised. I have spent considerable time in past sessions in this endeavor, and I am confident new leadership now being at the table, that these gentlemen are very capable and sincere of achieving their goals, but the fact that we are just now engaging in implementation of SAP is an indication we have still got work to accomplish. Not being combative, just we are not where we need to be, and I think that should be acknowledged.

Ms. BROWN OF FLORIDA. Thank you, Mr. Baker. I wasn't being combative, also. I just want you to know that I am pushing them because the people in your area have been pushing me.

We are going to do our last round of questioning and start with my colleague from Florida, Mr. Mica.

Mr. MICA. Thank you again. Just a couple of quick questions, if I may.

Over the period I have been on the Committee you have had a high of, I think, in the 25,000 number of employees. What is the current number? I see a nod there. Then it went down to about 19,000. Where are you now?

Mr. KUMMANT. We are about 18,5. A large piece of that was the Boston commuter service that dropped out, and the rest has been a gradual attrition and management efficiency work.

Mr. MICA. Okay. So about 18,500. Your operating subsidy, last year I think Congress gave you about 1.2 and what was——

Mr. KUMMANT. Excuse me, do you mean the total number or actual operating support number?

Mr. MICA. Total number.

Mr. KUMMANT. The number for—I will have to look over my shoulder. For 2006, it was the 1.295.

Mr. MICA. But that wasn't all operating subsidy, was it?

Mr. KUMMANT. That included capital and debt service.

Mr. MICA. What would you say the subsidy was? I have between 500 and 600 million.

Mr. KUMMANT. It ended up being about 450 and the debt service——

Mr. MICA. That makes the average subsidization of a ticket based on your ridership about $49 for every ticket?

Mr. KUMMANT. I would have to do the math, dividing that by 25 million riders.

Mr. MICA. Well, it is too difficult. I think that is correct. I may be wrong. Your debt service was running around 300 million.

Mr. KUMMANT. A little over 300.

Mr. MICA. About 300 million. And your capital—backlog maintenance, I am sorry, backlog maintenance at one time that was 4 to 5 billion. Is that still that high or has it been brought down?

Mr. KUMMANT. Ongoing capital number has been between 4 and 600 million. We have put 1.4 billion into the corridor.

Mr. MICA. Okay, that is capital. What about your maintenance backlog for the whole system?

Mr. KUMMANT. Basically, that essentially, as you pointed out earlier, is our system. So we pretty much have worked off the state of good repair types of issues to get to that point. The ongoing number to maintain state of good repair in the corridor will be about 350 million, and about 70 percent of the equipment has been refurbished.

Mr. MICA. Not annualized but the total maintenance backlog would be?

Mr. KUMMANT. The total maintenance backlog on the rest of the system is a freight railroad.

Mr. MICA. You are not counting that.

Mr. KUMMANT. No, sir.

Mr. MICA. But to operate you are going to need 1.2 to 1.3 billion budget per year, right?

Mr. KUMMANT. In the range of 1.2 to 1.5.

Mr. MICA. In the Lautenberg bill that was about 1.8 billion or something like that, that would give you about 4 to 500 million a year extra, but that is not really going to bring you to a high-speed system based on any testimony we have ever had here.

Mr. KUMMANT. No, sir. Again, we are talking about tens of billions for a radically different system.

Mr. MICA. Last time we had someone testify it was 16 to 18 billion, as I recall. But that has been years ago, too. I am not sure what that would have gotten you. Might have gotten some tunnels and bridges and all the other things, but I don't know if it would get you a full high-speed system. Because, as you testified earlier, you still have problems running it in the same corridor. It needs to be separated, right?

Mr. KUMMANT. If you are looking for 300 kilometer an hour, 200 plus mile hour system, you need a radically different system. There is no doubt.

Mr. MICA. All right. One other thing that is in the—there are several measures, the environmental meltdown, the global warming. There is a proposal to have commuter rail and other passenger rail preempt freight as one of the measures that they are looking. Have you at all taken a position on anything like that, passenger service? In fact, I think you are still in charge of all passenger service.

Mr. KUMMANT. Forgive me. Are you referring to the fundamental Amtrak right on host railroads?

Mr. MICA. I think they are looking at beyond that in one of these proposals. Maybe you haven't seen it.

Mr. KUMMANT. There are preemption discussions on local preemptions in the Northeast Corridor which we would be very concerned about very specific language on that. Because you end up have enormous system difficulties if any locality can preempt service on any kind of contiguous piece of the Corridor.

Mr. MICA. In the Northeast Corridor you wouldn't favor that.

Mr. KUMMANT. Because, again, you would probably destroy the value of actually having a corridor. It wouldn't become a corridor. It would become a local, fractured piece of locally controlled segments.

Mr. MICA. But there are some proposals in Congress as part of the global warming initiatives and may be coming out of one of the Committees to do just that.

Mr. KUMMANT. I am not intimately familiar with that.

Mr. MICA. You wouldn't favor that?

Mr. KUMMANT. In a general sense, and I may be misspeaking because I don't know the specific provisions, but if you split up until small, locally controlled pieces you will use the effectiveness of intercity passenger rail.

Mr. MICA. Thank you. I appreciate the job you and Mr. Laney try to do. Thank you.

Ms. BROWN OF FLORIDA. Mr. Mica, have you finished? Thank you very much.

I know that you know we spend close to $4 billion a week in Iraq for 28 million people. I would like to see what would a couple of extra billion dollars do if we put it into the system so we can move our citizens and get them to work and back and forth and free up some of the money that we put into the airports so that a lot of our aging population or elderly would love to be on the train as opposed to the plane and all that security the way they have it.

Mr. MICA. If the gentlelady would yield. I would be happy to sign on to any legislation.

We heard the request here that we need to draw private capital into the process. Private capital will flow into the process if they are allowed to develop and operate those corridors and you won't have to put—well, you have to put very, very little Federal money into it. We may require some Federal backing, maybe some exceptions like we do on some liability for airlines, and we will have high-speed corridors, rail passenger corridors throughout the United States.

Ms. BROWN OF FLORIDA. I am excited about that initiative, and I take back my time. I am just looking forward for them to come forward with the plans so we can figure out how we can assist.

Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, Madam Chair.

I am sitting here because I am listening to that, and I wish that we had all the money to be able to do those high-speed intermobile and everything else to move our product to market and our people to work.

One of the questions that comes to mind as you are talking is about the pay raises that have not happened since, what, 7, 8 years. Is it something that happened that management recently is going to be giving raises and not staff? Doesn't that kind of go against the wage increases of $1.70 for labor for the last 7, 8 years or whatever?

And then, aside from that, have you lost personnel because of it? And then what are you going to do in having to train new employees who have to come and backfill, if you will, to be able on to take on those jobs, the time and money spent on that, and then what does that do to your accident rate?

Mr. KUMMANT. All very good questions.

Let me address there is a program that we had put in play which was to address hard-to-fill jobs in the management ranks. Let me just put that in perspective.

The price tag on this for the company was in the 5 to $6 million range, in contrast to a $200 million back pay issue. The intent there was to focus very specifically on jobs that have remained open and frontline jobs that we simply haven't been able to fill in areas where our current pay was perhaps 25 percent below local markets.

I would also like to say that no one is well served, either management or labor, by not having jobs filled. I absolutely agree with that.

Now that specific program we are going to take another look at, look at specific provisions. We had a geographic component that may have been a little too broad. It is actually a very modest program in contrast to some of the large issues relative to labor front, and it ended up being something like—I don't know—2 percent on the total salary. But, again, that program we are taking a look at and making sure that it is the right thing to do.

I am not trying to pour the salt in anyone's wounds. I am trying to run an effective organization. That really was the thrust of that.

To your other points, I simply say I agree with your concerns and worries. We do have difficulty filling jobs without having labor agreements. It does make training more difficult. So far, our safety numbers have held up. I agree that not having experienced people on the job sometimes can be a safety liability.

But in the safety realm it is actually interesting, because it can cut both ways simply on how the numbers work. This is, believe me, not an argument to hire new people, but sometimes new people can actually be much more focused on safety than people on the job for a long time, not exclusively true, but that is why one can drive safety numbers effectively even when one has turnover.

But there is a training cost, training liability, and that we need to fill jobs is absolutely true, and that is a problem.

Mrs. NAPOLITANO. But isn't it true that experienced people are necessary to be able to prevent accidents?

Mr. KUMMANT. Yes, I agree completely. I only meant in some cases you can have fairly new workforces and see good safety numbers and you kind of wonder how can that be. That is not to say experienced workforce and sustaining it is not where it is at. I absolutely agree with that. No question.

Mrs. NAPOLITANO. Then one other area that is rather interesting is that you apparently have 70 percent of your rolling stock has been refurbished, but most of it is over 25 years old. When and how and what plan have you got to be able to replace, modernize and be able to expand to be able to increase your ridership?

Mr. KUMMANT. You are absolutely again right. That is really the centerpiece of where we believe we have to go forward strategically. We have to begin a whole new cycle of equipment procurement, even this year, even for our high-speed product.

Mrs. NAPOLITANO. Is that part of what you are presenting to Congress at all? Because if it is not being considered, how are we going to look at it?

Mr. KUMMANT. This is part of the document we will be producing shortly. But, in all candor, it is something we have talk about at almost every hearing in terms of a very significant need for the system.

We would also love to look for some demonstration train sets of modern equipment to show what that can do for ridership as well. We may be able to do some of that more quickly rather than major other procurement. But you are exactly right, and that is a key issue to focus on in the coming year.

Mrs. NAPOLITANO. I hope that Amtrak will move forward on trying to get this imminence of strike avoided.

Thank you, ma'am.

Ms. BROWN OF FLORIDA. Thank you.

Mr. Shuster.

Mr. SHUSTER. Thank you.

First, I just want to make a statement. I am very encouraged to see in your plan that you are going to use the Customer Service Index as one of your metrics as you go forward. I think in any business making sure customers are satisfied is the number one job. So I am pleased to see that.

Also very pleased to see that you are, in your procurement for equipment in the future, to purchase DMUs, lower cost to operate and flexibility; and I am very interested in finding out if you are considering using them on the Harrisburg to Pittsburgh. There is about 70 to 75,000 boardings in that region. That is what I consider—I am sure you consider—lower volumes. Where are you looking at using them and can you generally comment has there been any discussion of the Harrisburg to Pittsburgh?

Mr. KUMMANT. I am afraid I can't specifically comment on that, but that is exactly the type of service we look at in a development in a less dense area. I think along the gulf coast might also be an interesting area for DMUs and anyplace where we would like to build ridership. I think we are also looking at it in the Northeast.

Mr. SHUSTER. I just think there are tremendous opportunities to build ridership.

The final question I have deals with the food and beverage department. I know in 2006 the GAO had a study out there that, for every $2 in expense, you had brought in $1 of revenue; and in a time period from 2002 to 2004 Amtrak lost almost $250 million, basically, selling ham sandwiches and chips. What reforms have you instituted and is it possible to get the last quarter profit and loss on the food and beverage department, see what you have done?

Mr. KUMMANT. What I can tell you is this year we will continue improving that number. I think between 16 and $19 million cost takeout.

Let me also make the point, though, that you can go back and look at Santa Fe numbers from the 1950s and look at their food numbers. There simply is no way you are ever going to make money on food on trains. It is essentially part of what every seat pays for.

So I do think we have to look at Amtrak in aggregate; and if you look Amtrak's fare box recovery overall we, in fact, stack up with anybody in the world, including the French, including the Germans. Our total fare box recovery of 70 percent is a very good number and is in fact twice what transits run at, and that includes the entire food service.

Now as far as the specific initiative, we do have areconfiguration of our dinners into a diner-lounge structure with a simplified menu, with a simply food and more flexible service that can be scaled up or scaled down depending on the service. That is really going to be our vehicle for efficiency and saving in the future, and I think we feel very good about that initiative.

Mr. SHUSTER. In the last quarter, can you give me numbers?

Mr. KUMMANT. I can give you the annual number, a savings of in excess of $16 million this year.

Mr. SHUSTER. Again, thank you both for being here today. I appreciate your time, and I yield back.

Ms. BROWN OF FLORIDA. Thank you.

My last question, I know I had a discussion, but I didn't get an answer, so let me just ask it in the form of a question. What is Amtrak's plans for the Sunset Limited route and when will those plans be finalized?

I know that you all was in a board meeting when I tried to call you, Mr. Chairman, on this issue, because my office had been full of people from that region that came and talked with me about it. So I would like some discussion on that.

Also, I can just fold in my other question, what is the largest challenges facing Amtrak; and, lastly, how can we in Congress assist you? If both of you could address those issues, I would appreciate it.

Mr. KUMMANT. I would like to start with the Sunset. I do think what we would very much like to do, and it is in consultation with your office, is to focus on corridors along the same route in order to offer services that really work. I would, frankly, like to reduce or I should say eliminate the Sunset as this lightning rod for the—as an avenue of criticism. I think there is better and more effective service that we can offer your constituents and constituents along the whole gulf coast from Mobile to New Orleans as well as we discussed very specific corridors within Florida. And we also have different approaches on the western route in order to service that area and sustain the slot.

So that is really how we want to move forward.

The biggest challenges, again, I think we have addressed here today, which is, look, I will be the first to say we really want to come to a settlement with our whole workforce and our labor force. We want to be one team, move forward and really make this thing run.

I do think the equipment procurement piece that we have talked about is substantial, and I think there again it is process, and it is capital, and there is, obviously, a lot of people committed to that.

Finally, you have heard about the on-time performance challenges, and that is not an easy one. I think we are moving forward; and we do have a plan to continue working with the railroads, freight railroads. It is a personal view. But we are going to have to continue to find ways to put public capital into the real constraints in the freight network where both freight and passenger rail can get some benefit and drive on-time performance.

Thanks for the time today.

Mr. LANEY. With respect to the Sunset Limited, Madam Chairman, part of our challenge, as you know and you have heard us talk about it, is restructure, rationalization of our resources and investment within the long-distance structure.

I think you just heard from our President probably what is likely to be the ultimate sense of the Board in relatively short order; and that is, those resources, that investment is not best served in the Sunset Limited. It is best served in focusing it on corridors and, in particular, in that part of the country in the concentrated populated area of Florida.

Our biggest challenges are I think fairly easily identifiable: on-time performance, equipment replacement, the Federal-State match and the implications that has for corridor growth, our labor contracts. And not in that order.

Ms. BROWN OF FLORIDA. How can we help?

Mr. LANEY. The starting point is reauthorization. It is vitally important that we have some form of Federal-State match that is enough of an invitation to bring the States to the table to work with us for the corridor development. That is, I think, first and foremost in terms of what you can do. We will be delighted to help in any way we can, but our primary care is to continuing the progress that I think we have sustained for a number of years by working with you, with DOT, with the FRA, good partners, with the States, and continue the progress and the growth of ridership and revenue and the containment of the costs.

Ms. BROWN OF FLORIDA. Well, we certainly want to work with you. My challenge is that it is very important that I understand the operations side, that is one side of it, but also we need to know long term what kind of investment that is separate from operation. But when we look at security, when we look at your stakeholders that we have to work with, whether it is bridges and tunnels, what we need is to make sure that we have a system 10 years from now or 15 years from now that is really moving America where we want it to go.

When we look at gas prices at $3, $5—$5, people cannot afford it. So we realistically need to be together on a team to move this country where it needs to go. I think we have the vision and the leadership in Congress, and working with you all on the Board, we can move forward, but we cannot do it in a vacuum. We need the input from you all.

Mr. LANEY. We fully understand and agree and look forward to working with you, Madam Chairman.

Ms. BROWN OF FLORIDA. Thank you.

I want to thank the witnesses for their testimony and the Members for their questions.

Again, the Members of this Subcommittee may have additional questions for the witnesses; and we will ask you to respond to those in writing. The hearing record will be open for 14 days for Members wishing to make additional statements or to ask further questions.

Unless there is further business, the Subcommittee stands adjourned. Thank you all very much.

[Whereupon, at 4:35 p.m., the Subcommittee was adjourned.]

Statement of the Honorable Corrine Brown, Chairwoman
Subcommittee on Railroads, Pipelines, and Hazardous Materials
Hearing on Amtrak's Strategic Initiatives
June 12, 2007

The Subcommittee on Railroads, Pipelines, and Hazardous Materials will come to order.

The Subcommittee is meeting today to hear testimony on Amtrak's Strategic Initiatives.

Let me start by expressing my disappointment that the Board has not approved Amtrak's Fiscal Year 2008 Strategic Plan. I do not understand why Amtrak has not followed my numerous requests to have this plan ready. We were told in April that it was going to be approved in May, and we were told a few weeks ago that it was going to be approved prior to this hearing. We are now eight months into Fiscal Year 2007. If the Board drags this out any longer, there will be no point in approving the plan. You have to start setting the stage for these initiatives in 2007 if you want to see them succeed in 2008. The rate this is going, we will be in 2008 before we even see a final plan.

I did, however, review an earlier draft and there is good news for Amtrak. Amtrak is projected to deliver its best ridership numbers and revenues in history with a projected 25.3 million trips and $1.5 billion in revenues. Ridership in the first quarter of 2007 increased 7 percent over last year with ticket revenues were up 14 percent. Acela ridership alone is up 20 percent. And with the ever increasing price of gas, ridership will only increase.

I don't think there is any doubt that Amtrak has made significant improvements in its system over the last several years, and has an ambitious agenda for future improvements but Amtrak must also address some challenges before can reach its full potential. It must improve its on-time performance on long distance routes, replace aging rolling stock and infrastructure, improve safety and security, and resolve the longstanding dispute between management and labor.

It is particularly important that Amtrak reach a labor agreement that is fair and equitable. Most of Amtrak's workforce has gone without a renewed contract for over seven years. You can't reach your ambitious goals for the company with employees who feel like they are being treated unfairly. The freights have made significant progress with their contracts and I hope this inspires Amtrak to do the same.

I look forward to hearing from Mr. Laney and Mr. Kummant today about these issues.

Before I yield to Mr. Shuster, I ask that Members be given 14 days to revise and extend their remarks and to permit the submission of additional statements and materials by Members and witnesses.

Without objection, so ordered.

I now yield to Mr. Shuster for his opening statement.

Statement by Congressman Jerry F. Costello
Committee on Transportation and Infrastructure
Subcommittee on Railroads
Hearing on Amtrak's Fiscal Year 2008 Strategic Plan
June 12, 2007

Thank you, Mr. Chairman. I am pleased to be here today as we examine Amtrak's FY2008 Strategic Plan. I would like to welcome today's witnesses.

Since coming to Congress, I have been a strong supporter of Amtrak. I believe it is important that our nation has a viable nation-wide railroad system. Amtrak continues to provide a vital transportation link for communities in my congressional district and throughout the nation.

Soon, Amtrak will release its FY2008 Strategic Plan which will set out seven financial goals and identify nine initiatives to achieve them. I am interested in hearing more about increasing ridership, specifically outside the Northeast Corridor. In my home state of Illinois, we have made substantial investments in our rail system that have increased ridership. I hope Amtrak will continue to work with the states to utilize resources and meet transportation needs.

I am also interested in hearing more about the ongoing labor contract situation. Amtrak's workforce has been without a labor contract since 1999. Further, in past committee hearings, it has been revealed that Amtrak has had difficulty hiring and retaining certain skilled crafts, like electricians and diesel mechanicals.

In closing, I want to reiterate that Amtrak is an essential component of our nation's transportation system. I look forward to today's hearing as we discuss Amtrak's FY2008 Strategic Plan.

COMMITTEE ON TRANSPORTATION & INFRASTRUCTURE
Subcommittee on Railroads

Hearing: Amtrak's Fiscal Year 2008 Strategic Plan

June 12, 2007
2:00 p.m.
Room 2167, Rayburn House Office Building

OPENING STATEMENT

Madam Chairwoman:

Today's hearing gives the Rail Subcommittee the first significant opportunity in the 110th Congress to examine the state of Amtrak, our national intercity passenger rail service.

During the 109th Congress, I had the honor of serving as the Ranking Democratic Member on a special working group convened by the Committee on Transportation and Infrastructure to examine the findings of a GAO report on Amtrak's management.

The working group found that while the GAO had identified significant concerns about the Amtrak's cost controls, finances, and procurement systems, nonetheless, Amtrak's management had also made impressive progress in improving its management given the significant financial constraints under which the system operates and the sometimes antiquated nature of its basic business systems – including its accounting IT.

The GAO report which our working group was convened to study roundly criticized Amtrak for lacking a strategic plan and long-term goals. However, that criticism was misplaced – for the strategic plan and long-term goals must be articulated by Congress, which continues to leave unresolved the question of what Amtrak is to be or even to be allowed to be.

Then, as now, the essential problem that underlies many of Amtrak's shortcomings is our nation's failure to give Amtrak the opportunity to succeed.

Despite the challenges it faces, Amtrak's ridership is growing and the service could see more than 25 million trips in fiscal year 2007 yielding some $1.5 billion in ticket revenues.

Nonetheless, we are talking about a system which the GAO estimated last year has a backlog in needed maintenance repairs of $6 billion and which is estimated by the Department of Transportation Inspector General to need $2 billion per year to restore the system to a state of good repair.

Despite the stark estimates of need inherent in these numbers, the President's fiscal year 2008 budget requests only $500 million in combined capital and debt service grants, while Amtrak itself requests only $760 million in capital funding.

As we continue to underfund the system, the maintenance backlog inevitably grows.

Yet, confronted by the decline in a system that serves some 500 stations in 46 states, this Administration has appeared determined to advance an ideological agenda designed to derail Amtrak.

While this agenda has been repeatedly rejected by Congress – even under Republican control – the Administration continues to offer no new thought or direction. The President's fiscal year 2008 budget again calls on Amtrak to produce plans to increase competition and create opportunities to somehow split the system rather than calling on it to produce plans to improve the services provided to its riders.

Further, in the name of creating "partnerships," the Administration has also repeatedly attempted to shove the costs of our national intercity passenger rail service onto states that are already bearing billions in transportation-related debt.

At the same time, this Administration and Amtrak have neglected the dedicated employees who work for rail labor at Amtrak – leaving some 10,000 employees without a new contract for the past seven years. We are talking about workers who keep these trains running day in and day out, overcoming the challenges that Amtrak admittedly faces to provide a reliable service.

While there is certainly room for improvement at Amtrak, the tracks to improved performance must be laid on the foundation of a renewed national commitment to the value of Amtrak and of intercity rail in our national transportation network. At the same time, Amtrak must recommit itself to its workforce by bargaining in good faith.

I look forward to hearing today from the Board Chair and the company President how these objectives will be achieved and I yield back the balance of my time.

STATEMENT OF

RANKING REPUBLICAN MEMBER

JOHN L. MICA

RAILROAD SUBCOMMITTEE

HEARING ON

"AMTRAK STRATEGIC REFORMS INITIATIVES"

JUNE 12, 2007

Over the years, stacks of reports have been written about how to improve Amtrak.

In the last Congress alone, this Committee worked with GAO, the Amtrak IG and DOTIG to uncover hundreds of million of dollars of waste at the troubled rail carrier.

In the Law Department, we found that Amtrak was paying an outside paralegal at a rate higher than David Gunn, the company's own president.

In the Mechanical Department, Amtrak workers were using a sledgehammer instead of a torque wrench to tighten sensitive bolts.

In the Food and Beverage Department, Amtrak was losing over $100 million per year selling hotdogs and soda.

Amtrak's Accounting Department was no better. GAO reported that accounting system was so backward, that its financial reports were completely unreliable.

Meanwhile, the Northeast Corridor continued to deteriorate due to lack of capital funding.

And around the country, Amtrak's long distance trains continued to arrive hours late, despite extra padding added to the schedule.

Mr. Kummant and Mr. Laney, Amtrak cannot continue to do business as usual.

We need to upgrade the Northeast Corridor to true high speed service – not the 82 mph average speed provided by the Acela.

We need to upgrade our intercity corridors to a minimum of 110 mph, and preferably higher speeds where the demand warrants.

I am currently working on legislation to do just that – to provide the financial and technical resources necessary to rebuild the Northeast Corridor and to jump-start high speed rail projects around the country.

In the meantime, we still have much work to do on Amtrak. Mr. Kummant, I am looking forward to hearing about the progress you have made over last six months.

I yield back the balance of my time.

STATEMENT OF
THE HONORABLE JAMES L. OBERSTAR
SUBCOMMITTEE ON RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS
HEARING ON
"AMTRAK'S STRATEGIC INITIATIVES"
JUNE 12, 2007

I am pleased that we are holding this hearing on Amtrak's FY2008 Strategic Plan. Congress last reauthorized Amtrak in 1997; that authorization expired in 2002.

Prior to Amtrak's last reauthorization, it had subsisted for three years without an authorization. On the eve of its reauthorization in 1997, Amtrak's financial condition had reached a critical point. Then-Amtrak President Tom Downs testified before several House and Senate Committees that Amtrak could reach bankruptcy by the spring of 1998 if Amtrak was not provided the statutory reforms and funding requested. The General Accounting Office (GAO) and others predicted bankruptcy could occur even sooner.

Yet as we begin to deliberate Amtrak's reauthorization today, Amtrak is widely viewed as being in a very different position compared to 1997. Thanks to the efforts of former Amtrak President and Chief Executive Officer, David Gunn, and the current management, Mr. Kummant, Amtrak has undertaken significant efforts to reduce costs, restructure services, rebuild equipment and return its aging infrastructure to a state-of-good-repair. Management has succeeded in reducing or stabilizing operating costs, terminating unproductive business lines, and increasing ridership. For the past four years, Amtrak has consistently surpassed its annual ridership goals. In 2006, Amtrak's ridership was 24.3 million. Amtrak expects 2007 to far surpass 2006 ridership levels. Recent reports show that 2,170,000 passengers rode Amtrak in the first quarter of 2007, a 6.9% increase over the same period last year. It is clear that Amtrak's FY2008 Strategic Plan is arriving at a time of renewed public interest in and optimism for Amtrak.

Many exterior factors are also contributing to Amtrak's success. Recent increases in highway and aviation congestion and rising fuel costs have made Amtrak a growing and increasingly important part of the nation's multi-modal transportation system.

Today, Amtrak serves more than 500 stations in 46 States on over more than 22,000 route miles. Amtrak's FY2008 Strategic Plan calls for increasing service and encouraging the development of state-sponsored passenger rail corridors. Amtrak controls a national rail network, but Amtrak is also composed of many different Amtraks. For example, there is the Northeast Corridor; there is the high western route, the highly successful system in California, and the southern system. Each system has its own capital needs and its own demands for service. Where states have been willing to contribute to its intercity passenger service, growth has blossomed.

Amtrak's efforts are enhancing the investment a number of states are devoting to their intercity passenger rail corridor services. According to the American Association of State Highway and Transportation Officials, state investment has helped spur greater capacity for the future. Investment in the Chicago–Milwaukee–Minneapolis corridor, as part of the Midwest Regional Rail Initiative may increase ridership from 321,000 in 1996 to 3.2 million in the future. Planned investment in California's three state-supported corridors will support ridership of 11.6 million in the future, compared with 2.6 million in 1996. For the Northeast Corridor, planned investments will maintain and expand the current annual ridership of 14 million.

It is clear that government support plays an important role in the success of Amtrak. All passenger rail systems in the world receive some level of government support. Unfortunately, this Administration and some in Congress have not accepted that fact. China invests $16 to $20 billion annually in passenger rail. Japan and Germany devote 20 percent of their total annual transportation budget to passenger rail, totaling $3 to $4 billion each. A host of other nations also invest heavily in passenger rail – France, for example. When I was a graduate student at the College of Europe in Belgium, part of our work was to travel to various parts of Europe and see different economic systems. I traveled from Paris to Lyon, almost 300 miles. It was a 4-1/2-hour trip. When I went back as Chair of the Aviation Subcommittee, the same trip took 2:01 hours. Now the French TGV has set a new world speed record.

We can do the same for Amtrak. We just need to make the decision to do so and invest the resources to make it happen. The private sector can't do it; the states can't do it; it is up to the Federal Government to step up and make the necessary investments.

Before I yield back, I want to briefly mention my concern with the current deadlock between Amtrak management and labor over a renewed contract. Most Amtrak workers have not had a new contract with Amtrak since 1999. They are working at wage levels that are just $1.70 more than they were in 1999. Mr. Kummant, you testified before this subcommittee last September that resolving this dispute was one of your highest priorities. Yet eight months later, there has been no change in the situation. I would like you to provide the Subcommittee with an update on what is going on with the negotiations and what Amtrak is doing to resolve them.

Thank you and I look forward to hearing from the witnesses.

TESTIMONY

OF

ALEX KUMMANT, PRESIDENT AND
CHIEF EXECUTIVE OFFICER
AMTRAK

BEFORE THE

SUBCOMMITTEE ON RAILROADS, PIPELINES, AND
HAZARDOUS MATERIALS

OF THE

COMMITTEE ON TRANSPORTATION AND
INFRASTRUCTURE

TUESDAY, JUNE 12, 2007
2:00 P.M.
2167 RAYBURN HOUSE OFFICE BUILDING

Madam Chairwoman and Members of the Committee, thank you for the opportunity to appear before the Subcommittee today. As Chairman Laney has indicated, we are encouraged that you are addressing the issue of Amtrak reauthorization and we look forward to working with you in the future.

While this hearing is focused primarily on the future of Amtrak and U.S. passenger rail service, I do want to say a few quick words about where we are today.

PEFORMANCE AND KEY INDICATORS

First, for another year, Amtrak will set new ridership and revenue records. There are a number of contributing factors for this: the rising cost of gasoline and added frequencies in California, Illinois, and Pennsylvania. In the Northeast, the challenges of air travel combined with gas prices are clearly factors as to why the *Acela* ridership has grown a remarkable 20 percent year over year. Another key ingredient to the success of the *Acela* Service on the Northeast Corridor is our on-time performance, which is at 88% year-to-date for fiscal year 2007. This improved on-time-performance is a function of our incremental investment in the Northeast Corridor infrastructure, as well as sustained improvements in day-to-day operating efficiencies. Revenues for the year are 11% higher than last year.

In addition, we continue to improve our safety numbers and we are increasing our focus on passenger security. We have not assumed any new debt in four years. In fact, in that same time frame Amtrak has paid down close to $500 million in debt. In short, all of these leading indicators continue to move in the right direction.

FACING TODAY'S CHALLENGES

All of this good news does not mean that we are without our challenges on the one hand or our ambitions about the future of U.S. passenger rail on the other. It has become clear to me in the months that I have been with the Amtrak that we are truly at a crossroads. The company must do everything in its power today to position itself for the future. The decisions we make, the service we provide, the product we deliver today will determine if Amtrak will truly play a key role as a provider of passenger rail service down the road.

In order to realize the potential, we are developing a strategic plan that focuses on continued company-wide cost reduction initiatives that will help reduce Amtrak's reliance on federal operating assistance. Increasing revenue is also a key element of the plan that will hinge on Amtrak's ability to add frequencies and improve revenue management. Our other key goals and objectives include containing cost growth, improving financial transparency, providing a safe environment for employees and passengers, improving the management of our human capital, and finally conserving natural resources. By increasing revenue and containing costs, it is our intent to reduce our dependence upon Federal operating support over the next five fiscal years.

Amtrak now confronts a different set of challenges than it faced when it was created 35 years ago. There has never been a time in Amtrak's history where there has been such demand for its services. At the same time, America's rail infrastructure capacity is significantly stretched, particularly in the corridors that are the most likely candidates for expansion. No matter what else is done, we will have to address capacity bottlenecks and shortfalls in many parts of our national rail system, most of which is not owned by Amtrak. Central to our strategy is to position ourselves to expand state corridor service where circumstances and resources permit. It is where the growth in ridership and revenue will lie in the years ahead. If you want to look at models of successful state programs, California, Washington, and Illinois are great examples.

REAUTHORIZATION - STRATEGIC PLAN
Overall, our goal for our reauthorization bill is to solidify Amtrak's role in providing intercity passenger rail service. That includes a federal policy for corridor development and improvement of our long-distance services so that they better link state and regional corridors and become a more relevant transportation alternative. Amtrak's reauthorization should also help us take advantage of opportunities to connect Amtrak's intercity trains with other modes of travel.

For each of the strategic goals and objectives we are developing, we will outline a series of actions to be taken. I believe that will produce a balanced strategy. It is clear to me that our future hinges on our ability to become more cost efficient and deliver a superior product to our passengers. Another key aspect of our future includes addressing the need for new equipment. We have an aging fleet and one that is becoming increasingly stretched. While we have enough equipment to serve today's needs, we lack the equipment it takes to foster corridor development. When Amtrak was created, there were a number of U.S car manufacturers. Today there are none. It will be a challenge to obtain the necessary equipment to fully exploit our intercity corridor development opportunities, as well as to modernize and replace much of our existing fleet, some of which dates to the early 1950s.

As I have stated, a central part of our strategy is to focus our efforts on meeting the needs of the states. But while we work with states to develop and expand intercity corridors, we will not forget or overlook the importance of the Northeast Corridor. The Northeast Corridor is the realization of what a mature corridor should be. As future hearings will address Amtrak's specific capital needs, at that time we will talk more about what we need to do and would like to do in the Northeast Corridor. Let me just leave you with the following thought. In the past several years, Amtrak has made significant investments in this asset, and I believe that it is in the best condition it has been in decades. Our challenge now is to maintain the Northeast Corridor at a high level of utility and to define and move to the next level of use for the Northeast Corridor. Future work in the Corridor will focus on capacity expansion, trip time reduction, and third-party use. In fact, later this week, we will be meeting with a group of Northeast Corridor stakeholders to discuss how we can collectively build a vision and develop a plan to meet the future needs of this corridor.

CONCLUSION
It is remarkable that a few years ago there were many who felt that Amtrak would fall into bankruptcy. That is no longer the case. Reliability, mobility, and environment—these are things that consistently resonate with America's traveling public, particularly in an era of rising fuel prices, highway and airport congestion, and heightened interest in environmental protection. Amtrak continues to be the most promising and welcome alternative.

To that end, our Board and Management are producing a confident statement about the future of Amtrak and of passenger rail service in this country. We look forward to working with you as you develop a reauthorization bill which will set the course for the future of passenger rail service in the United States. I look forward to our discussion today and will be happy to answer any questions you have.

Questions for the Record
Mr. Alexander Kummant

1. Mr. Kummant, Amtrak's Strategic Plan outlines seven financial goals for FY08. Are you on track to meet those goals? What could prevent you from meeting these goals?

Response: The financial goals that we have defined for FY08 are based on our expectation that we will be able to continue to build upon the financial progress that we have made in FY06 and FY07. In general, the trends in our financial performance so far in FY07 have been positive, increasing revenue, reducing costs, and realizing across-the-board improvements in both ridership and customer satisfaction. Our FY08 financial goals are based on specific improvement plans that we either have in place or are in the process of refining. Our expectation is that some of the growth trends that we've seen in FY07 – in particular, the ridership and revenue growth of our *Acela Express* service, will moderate in FY08. The seven financial goals that we have outlined are achievable, and we are currently on track.

There are numerous external factors that will influence our ability to meet our financial targets:

Federal support: Perhaps most importantly, funding below the level outlined in our legislative and grant request for FY08 would require that we adjust our plan to fit within our available funds. The likely impacts of lower funding would include decreased on-time performance, increased delays due to mechanical problems, and lower customer satisfaction due to poor equipment performance.

Economic conditions: We have constructed our financial plan based on a number of assumptions about the external economic environment. A slowdown in the US economy, a significant disruption to travel patterns, or dramatically lower prices for gasoline all would negatively impact our ability to achieve our goals.

Competitive behavior: Changes in the competitive environment, particularly intensified airline competition in the Northeast, would make it more difficult for us to achieve our revenue targets.

Freight railroad operations: Given that we operate over freight railroads on the majority of our routes, significant increases in freight railroad volumes would impair our on-time performance, impacting our revenues.

Labor negotiations: Delays in our labor negotiation process are possible that could delay implementation of a labor settlement beyond FY08, though we believe such extensive delays are unlikely. If we adopt a labor settlement that is more costly than that embodied in our plan, we will likely have difficulty attaining our goal of annual reductions in federal operating support.

2. Mr. Kummant, please describe what Amtrak is doing to prepare for future growth along the Northeast Corridor.

Response: Amtrak is taking several concrete steps to prepare for Northeast Corridor growth:

a. Continuing our efforts to reduce the backlog of deferred maintenance on our physical plant. In FY04, we outlined in detail the set of maintenance capital expenditures that would be required in order to return the Northeast Corridor (NEC) to a state of good repair. At that time, we also outlined a five year capital plan which, given sufficient available capital funds, would substantially eliminate the maintenance backlog. Since FY2003, Amtrak, in combination with the NEC states, has made investments in excess of $1.2 B in NEC infrastructure. Although the plan has never been completely funded, we continue to make annual progress, improving the physical infrastructure and condition of our rolling stock. This contributes to supporting growth in several ways: reducing the number of slow orders and delays due to unplanned maintenance, which increases the effective capacity of the network; restoring key physical assets to operating condition, improving capacity; reducing our ongoing capital expenditure requirements, freeing up additional resources for targeted capital expansion; and increasing the size of our 'available for service' fleet, increasing the number of seats that we have available.

b. Developing a master capital planning process, involving representatives from states, commuter railroads, and freight railroads that use the corridor. In June, we launched a cooperative effort with all of the NEC stakeholders aimed at identifying the growth objectives and expectations of all corridor users, articulating specific capital investment programs that would be required in order to achieve these objectives, and developing an open, transparent method for prioritizing these investments, within the set of financial and other constraints that exist.

c. Identifying specific capital investments that would improve both capacity and trip time along the corridor. We have articulated a number of relatively large capital projects that would significantly decrease travel times on the corridor – effectively increasing capacity.

d. Developing specifications for the next generation of NEC intercity passenger equipment. The mainstay of our current NEC fleet, the Amfleet coaches, have an average age of 30 years, and an effective useful life in NEC service of roughly 40 years. If current growth trends continue, we will require additional equipment to meet service needs by approximately 2010. These two trends have led us to launch the development of a specification for the next generation of corridor rail equipment. We expect to have this specification complete in FY08, and to articulate specific fleet replacement and expansion needs in conjunction with a subsequent request for proposal.

3. Mr. Kummant, the President's FY2008 requested budget for Amtrak is $900 million. If Congress enacted this number, how would it impact your bottom line? Would Amtrak be able to meet the goals laid out by its FY08 Strategic Initiatives?

Response: The request was actually $800 million for Amtrak and is nearly $400 million below the current level of Federal support to Amtrak, and it goes without saying that it would have a severe and detrimental impact both our ability to serve our passengers and our bottom line. Depending upon the distribution of the appropriation between the Debt, Operating, and Capital grant subsidies the affects would vary in severity and create a chaotic financial situation where, for the past few years, there has been stability.

Every dollar reduction in our Debt subsidy would have to be made up out of Amtrak generated funds, or we would face default on our debt. Current debt obligations total $3.4 billion (B) and will require approximately $300 M in annual debt servicing payments in FY 2008. This annual payment is almost evenly split between principal and interest. Amtrak would be faced with the unenviable choice of either defaulting on some or all of our debts, forcing a bankruptcy restructuring of our debt, or radically cutting expenses to provide cash to meet our debt obligations.

The only choices available on such relatively short notice would be to terminate large parts of our service and reduce employees. Eliminating train service would reduce expenses, but it would also reduce revenue. This is unlikely to generate enough cash to pay the debt service obligations. Therefore, the majority of cash would have to be generated through the reduction of employees. Unfortunately, the loss of employees cannot be accurately targeted, and many key employees who are critical to Amtrak's long term viability may choose to leave for a more secure employer. The employment termination costs may exceed the payroll reductions during the first year of execution.

Reductions in our Operating subsidy would have consequences similar to a reduction in our Debt subsidy, but without the immediate turmoil in the capital markets. The loss of key personnel combined with a significant reduction in our Operating funding will cause concerns about Amtrak's long term viability as a going concern, and could precipitate a downward spiral into insolvency. At a minimum it halts critical service improvement initiatives and hampers the growth needed to improve revenue.

A reduction in the Capital subsidy is the least intrusive in the short term. Amtrak and its predecessors had under funded capital projects for decades. The corrosive affect of this reduced capital funding is insidious and initially invisible. Since the overwhelming majority of our capital projects are funded by the Federal Capital subsidy, almost all of our improvements to Amtrak's property, plant, and equipment would cease. As a result Amtrak's efforts toward achieving a state of good repair would halt, and we would eventually slip back into severe problems with on time performance, reliability, and safety. An unreliable, undependable, and unattractive railroad would lose passengers and eventually be marginalized as a public transportation.

4. Mr. Kummant, in past testimony and in today's testimony, you list increased involvement by individual states as being important to Amtrak's future success. In what way does Amtrak plan on working with the states to offer better service? Can you provide examples of recent decisions or discussions between Amtrak and individual states that will improve Amtrak's service?

Response: The nation's intercity passenger rail system is evolving from a skeletal national network with a handful of connecting corridors to a vibrant set of corridors connected by a national network. The development of these corridors is being led by the states, with Amtrak playing an important supporting role. Going forward we will continue to assist states plan, develop and operate rail corridors – providing cost-effective services that build on the national economies of scale we can offer. Amtrak benefits by improving network connectivity, and more efficiently using our fixed network assets and extensive experience and expertise – thereby growing ridership while reducing our operating support ratio. Recent examples of this new partnership approach with individual states include:

- Working with Maine to reduce trip time on the Downeaster service between Boston and Portland, adding a 5th frequency and planning for possible extension of service north to Freeport and Brunswick;
- Helping Illinois add frequencies on three routes, including planning, host railroad negotiations, equipment redeployment, and operations – all in less than one year;
- Facilitating additional frequencies on the Capitol corridor from San Jose to Oakland and Sacramento without the need for additional equipment;
- Coordinating with the Southern California Regional Rail Authority and Orange County to serve new communities and better integrate Amtrak's intercity service with the Metrolink's commuter service.

5. Mr. Kummant, in Amtrak's FY08 Strategic Plan, you state that Amtrak will need to initiate "a major procurement cycle." How would Amtrak ideally phase out old rolling stock and introduce new rolling stock to meet increasing customer expectations? What considerations are taken when buying new train sets?

Response: The process for design and acquisition of new equipment begins with the development of a fleet plan. This plan, which we have and are constantly updating, identifies the specific equipment requirements (rolling stock and locomotives) required to meet the service plan that we have in place; e.g., to run the network of trains that we operate. Based on the fleet plan, expected and historical mechanical reliability of our equipment, accommodation for equipment damage, overhaul, and remanufacture, and other considerations, we then develop the size of the fleet required to reliably deliver the service plan.

We have a fleet composed of a wide variety of equipment, from the *Acela Express* trainsets, which are roughly seven years old, to some of our heritage dining equipment, which is over 55 years old and way beyond its useful life. All of our equipment goes through periodic cycles of overhaul and/or remanufacture, in order to ensure that it is safe, effective, and updated to meet current customer needs and expectations. As equipment ages, maintenance and overhaul costs grow, and it is no longer cost-effective to continue to overhaul and/or remanufacture that equipment.

The ideal process for phasing out equipment is to identify two sets of equipment: that which is beyond its useful life and no longer cost effective to maintain and operate, and that which is running at capacity and where additional capacity could be efficiently employed. In both cases, the process involves analyzing the total lifecycle costs of the equipment, and making rational economic decisions. Due to different operating characteristics and requirements for different services, it isn't always possible to use any type of equipment in any service. For example, we can not use our bi-level Superliner equipment in NEC service due to clearance limitations in tunnels.

Our plan for equipment procurement is as follows: Begin with the definition of our current and expected fleet plan, in order to identify equipment requirements by specific equipment type. Identify the best candidates for equipment replacement – e.g., which types of equipment make the most economic sense to replace. Develop a specification for the design of this equipment, taking into consideration our experience with operating and maintaining equipment of this type. Select a vendor and articulate a specific development and delivery schedule. Retire equipment replaced by the new rolling stock, or move that existing equipment into less intense service.

One key element of rolling stock procurement is that of scale. Due to the complexities of designing and engineering of high speed rail equipment, much of the cost of that procurement is effectively a fixed cost which we will incur regardless of how many units we purchase. There are clear scale advantages – which result in significantly lower unit costs – that will be realized if equipment is purchased in larger lot sizes, rather than in 10 unit purchases.

6. Mr. Kummant, in your testimony before this Subcommittee in September 2006, you stated that reaching a new labor agreement with Amtrak's workers was one of your top priorities and key to ensuring Amtrak's success in the years ahead. When will an agreement be reached? Are you concerned by TCU's recent statements in support of a strike?

Response: We are aggressively negotiating with those unions that desire to reach agreements quickly. Retroactive pay has been and will continue to cost this company $208 million if the October 1, 2003 date is used. Some unions want to go back further before the TCU agreement that we reached for that October 1 date and some will not agree to negotiate unless back pay is on the table. As one of its negotiating principles, in 2002 Amtrak told the union leaders that back pay would not be negotiated. TCU agreed, covering 1/3 of our employees, to an agreement that met Amtrak's principles, including no back pay.

On the threat of strike, frankly, Mr. Scardelletti knows what is going on behind the scenes. So I was, at first, a little surprised by his statement and then a little disappointed. He has been around a long time and has the experience to know how destructive a strike can be. I hope he brings the same amount of passion to the negotiating table when he is ready to talk to us. That said, I assume that TCU's statement that it may strike to reach an agreement means a strike in accordance with the Railway Labor Act. Under the Act the National Mediation Board would have to release the parties and a Presidential Emergency Board appointed by the President (which we expect if a release occurs) would first have to act. If an agreement is not negotiated through this process, then and only then could the TCU engage in a legal strike. I do not believe the TCU statement means that the union would illegally strike. Assuming a release, it would take approximately 90-100 days after the release before a legal strike could occur under the Act. Of course Congress may act in advance to prevent the strike or, as the authority of last resort, resolve the impasse if there is a strike and end it.

7. Mr. Kummant, Amtrak's Strategic Plan makes mention of "reliability centered maintenance" to reduce the cost to maintain your fleet. Please tell me more about this and how it is different from scheduled maintenance.

Response: Scheduled maintenance is a program of preventive maintenance tasks scheduled to be accomplished at specific intervals. Reliability-Centered Maintenance (RCM) is an analytical methodology for developing new or validating existing scheduled maintenance requirements that will permit realization of the inherent reliability of systems and equipment by defining tasks that will benefit the hardware, and be worth doing in view of safety, operational and economic consequences.

In July 2006 Amtrak established a corporate maintenance policy for the development and performance of maintenance for all our trains and support infrastructure. This instruction states that the principles of Reliability-Centered Maintenance, as defined in 49 CFR 238 Appendix E, shall be used in determining maintenance requirements for all Amtrak equipment. This policy was developed in response to the House of Representative's Committee on Transportation and Infrastructure Amtrak Working Group report of 17 April 2006. This report cited "Amtrak's maintenance operations as outdated by more than 20 years" and recommended Amtrak adopt the industry's RCM methodology to bring its maintenance program into line with current industry standards.

Benefits we anticipate as a result of implementing RCM include improved equipment reliability, increased operational availability of our trains and a corresponding revenue increase due to schedule modifications permitted by availability improvement. Additionally, based on implementation of RCM in other large maintenance programs such as the US Navy and Coast guard, we expect to realize additional benefits including elimination of unnecessary, and sometimes detrimental, maintenance practices and procedures, more efficient use of maintenance resources and cost savings and avoidance associated with increased reliability.

Since issuing our corporate maintenance policy last summer, Amtrak has performed RCM analysis on all maintenance requirements for the High Speed Train (Acela), and recently completed analyzing requirements for the HHP-8 locomotive. Over the next three and one half years, all Amtrak rolling stock assets will undergo similar analysis of their maintenance plans. RCM-based improvements to the Acela maintenance program have already generated significant contributions to our revenue for 2007 by making the 15^{th}, 16^{th}, and 17^{th} trainsets available to be placed into revenue service in October 2006, July 2007 and October 2007, respectively. We expected similar returns on investment from our RCM program as we implement it across the balance of rolling stock assets.

8. Mr. Kummant, the Strategic Plan mentions its Strategic Partnership and Business Development organization to help manage its relationship with states and their passenger rail systems. Please tell me more about this office and how it is important to Amtrak's future.

Response: This new department is the key link between Amtrak and our state, local and commercial partners. By consolidating our state, commuter, railroad and real estate functions under one umbrella, we are now able to provide a "one-stop shop" for our partners and can be more proactive in our efforts to support corridor development and operations around the country. The Strategic Partnership and Business Development Department is organized around three regions – east, central and west – with each state and agency partner assigned a point of contact. In addition, the Department has teams responsible for host railroad and real estate contracts along with a policy arm to ensure consistency across the country and establish contract guidelines.

9. Mr. Kummant, keeping Amtrak's current capital and financial situation in mind, how extensively can it grow with its current funding? How do annual appropriations affect long term business planning?

Response: There are three ways in which Amtrak can grow: Use existing assets more effectively, employ new assets in ways that make economic sense, or operate services on behalf of other asset owners (generally commuter railroads or state partners). All of these avenues are available to Amtrak, and we are always evaluating the attractiveness of growth options. In general, Amtrak's capital and financial situation limits the opportunities to pursue growth opportunities that require significant capital, and require us to consider relatively narrowly the economic benefits which we use to evaluate the merits of growth proposals. Put another way, we pursue business opportunities only on the relative merits to Amtrak's financial performance, rather than considering the real financial benefits that passenger rail has to economic and community development.

Amtrak is in a very capital intensive business. Our fixed operating costs, in terms of maintenance of our track, physical assets, rolling stock and motive power, are quite high, regardless of the frequency of service we provide. For the majority of our operations outside the NEC, we also use the extensive rail assets of the nation's freight railroads, as we operate on freight right-of-ways.

Amtrak can grow within its current capital and financial constraints, but these constraints do provide a limit on the pace of growth. We expect much of our future growth to come from the expansion of our state corridor operations, with funding coming primarily from our state partners.

The annual appropriations process makes it difficult for Amtrak to make consistent, long term decisions. Many of our large capital projects, such as bridge replacement, are multi-year efforts, and many of the items that we must purchase for these projects are specialized, with very long procurement lead times. When funding levels are unpredictable, or vary widely year-to-year, it is difficult to effectively plan and execute many of these projects. More predictable, stable funding would increase our ability to make and execute consistent long term plans, improve our ability to execute a number of system improvement efforts, and, in the long run, would allow us to reduce our cost of service delivery.

10. Mr. Kummant, you testified before this Subcommittee on September 28, 2006 shortly after your appointment as President and Chief Executive Officer of Amtrak. In your testimony, you discussed the state of Amtrak infrastructure in the areas affected by Hurricanes Rita and Katrina. Would you please provide the Subcommittee with another update of the condition of that infrastructure? What additional capital investments are necessary to realize the full potential of this area?

Response: All of the Amtrak railroad infrastructure damage in New Orleans, as a result of these hurricanes, has been repaired. The repairs included signal system component replacement and roof, window and HVAC replacements on our equipment maintenance buildings. In addition to the damage repairs, we have invested in upgrading our track and signal system with investments in new turnouts, new continuous welded rail on our main tracks and starting a program to upgrade our signal bulbs to LED's.

At this time, we have one capital project scheduled for FY08 to upgrade our standby power on Tracks 7&8 in order to store our evacuation train with full HVAC ability.

11. Mr. Kummant, working with states to develop greater partnerships presents a number of challenges regarding individual budget cycles and the various state approaches to passenger rail. Please describe for me the steps Amtrak is taking to address these challenges, as well as some examples.

Response: In recent years, Amtrak has been working to apply a consistent pricing approach and standardized contract terms to our existing state service contracts. In FY07, all states that pay for state-supported services cover 100 percent of the direct operating losses for their services. Under the Strategic Reform Initiatives published in 2005, all states – including those that currently receive corridor services without providing operating support – are to transition over the next several years to full cost recovery (excluding interest and depreciation) plus an equipment capital charge. Clearly, this approach will be difficult for states, particularly given the lead time for the budget processes, and the absence of a federal capital matching program. We are sensitive to those constraints, and have established a collaborative process to work through the issues with the states, including a task force on a new pricing approach, and one focused on equipment procurement. The result of this process may be some adjustment to our state pricing policy – while retaining the basic principles of equity and efficient use of resources.

12. Mr. Kummant, how can Amtrak compliment air and car travel? Is Amtrak planning to develop intermodal passenger facilities?

Response: Amtrak supports the concept of making intermodal connections across the various forms of transportation. We view such connections as an enhancement to the rail services we offer, and not as competition. Such connections increase the convenience and appeal of our rail services.

Amtrak offers service to airport rail stations at the following locations:

Burbank, California—short walk from station to air terminal.
BWI Thurgood Marshall, Maryland—shuttle bus connection.
Milwaukee, Wisconsin—shuttle bus connection.
Newark, New Jersey—station and terminal connected by airport people-mover system.
Oakland, California—shuttle bus connection.

Usage of these stations has been encouraging. BWI Marshall has the 16th-highest usage of any station in the Amtrak system. Milwaukee Airport, in its first full Fiscal Year (2006), had 77,387 passengers depart and arrive, making it the second busiest station in Wisconsin.

Amtrak also has code-sharing arrangements with two airlines—Continental (at Newark) and Icelandair (at BWI Marshall). Reciprocal mileage programs formerly existed with Midwest Express (until 2002) and Alaska Airlines (until spring 2007). Expansion of code-sharing and mileage programs depends on mutually beneficial opportunities that may arise between Amtrak and airlines, and successful negotiation of terms between Amtrak and airlines.

There are other airports where there conceivably are opportunities for meaningful intermodal connections between air service and Amtrak intercity rail service, particularly where the geography is favorable (rail lines near airports) and where there is a market for long-distance flights that connect with short-distance rail services. The expansion of such direct connections also depends on the limits of Amtrak's ability to invest capital resources in such investments, as well as the ability of airport authorities and local and state governments to make such investments. Such rail stations are in the planning phases at Providence, Rhode Island, and Harrisburg, Pennsylvania. At some other locations, airports are near rail corridors that are being considered by states for future development, including Richmond, Virginia; Charlotte, North Carolina; Cleveland, Ohio; Gary, Indiana; Madison, Wisconsin; and New Orleans, Louisiana.

Amtrak has a cross-marketing program with Hertz for passengers who are renting cars at or near our stations. We also provide information about car rental opportunities with other companies where such services exist at or near our stations. Car-sharing programs are spreading to more U.S. cities, including near train stations. For example, Zipcar keeps cars within a block of Washington Union Station, New York Penn Station, and Boston Back Bay Station. Flexcar keeps cars within a block of Los Angeles Union Station, Seattle King Street Station, Portland (Oregon) Union Station, Washington Union Station, and stations at San Diego, San Diego Old Town, Alexandria (Virginia), and New Carrollton (Maryland).

13. Mr. Kummant, you state that California, Illinois, and Washington are models of successful state programs. Please say more about this. What are they doing that makes them successful?

Response: California, Illinois and Washington have been leaders in developing passenger rail corridor services, even in the absence of a federal capital matching program. California has invested over $2 billion over the last 10 years in intercity passenger rail, and provides over $70 million in annual operating funding to run their corridor services; the result has been 12 new frequencies on the San Diego-Los Angeles-Santa Barbara corridor, 4 new frequencies on the San Joaquin corridor and 26 new frequencies on the Capitol corridor.

Illinois has recently invested in substantial improvements to the Chicago-St. Louis corridor, and this year doubled their operating support from $12 to $24 million annually to add service on their three corridors; the result is a total of five daily round trips on the Chicago-St. Louis corridor, two frequencies on the Chicago-Quincy corridor, and three on the Chicago-Carbondale corridor.

Since 1994 when Washington State began providing funding to operate additional Amtrak service, ridership has increased from under 100,000 to over 600,000 passengers annually within the Vancouver-Seattle-Portland corridor. A number of other states have been investing in improving the intercity passenger rail corridors, including North Carolina, Pennsylvania, Vermont, and Wisconsin. The establishment of a federal capital matching program, as contained in various Reauthorization proposals, would further accelerate corridor development in these and other states as well.

14. What was the number of active unionized employees at Amtrak on January 1, 2000? What is the number today?

Response: Represented employees January 1, 2000 – Full time – 21,856; part time – 656; Total: 22,512

On July 1, 2003, the MBTA contract went to a different vendor and Amtrak employment was reduced by approximately 1,500 employees due to that lost contract.

Represented employees May 31, 2007 – Full time - 15,460; part time – 182 Total - 15,642

15. What was the number of active management employees at Amtrak on January 1, 2000? What was the number when former President David Gunn resigned? What is the number today?

Response:
Active Management Headcount - FY2000: 2,746

Mr. Gunn left in November 2005:
Active Mgmt Headcount as of November 30, 2005: 2,497
Active Mgmt Headcount as of May 31, 2007: 2,666

16. As of June 6, 2007, most union employees at Amtrak have received $1.61 an hour in cost of living increases since January 1, 2000. In that same period, provide a list of all management raises, both in absolute and percentage terms. Include the recently announced premium pay plans.

Response:

	Mgmt Increase %	Average Hourly Increase
FY 2000:	0%	
FY 2001	0%	
FY 2002	0%	
FY 2003	3.5%	$1.11/hr
FY 2004	4.1%	(Will be done tomorrow AM)
FY 2005	3.5%	$1.22/hr
FY 2006	3.1%	$1.12/hr

Since FY04, the percentage increase in management salaries were granted based on the Federal Government's Pay Adjustments schedule as published each January by the US Office of Personnel Management and signed by the President of the US as an Executive order. For FY 2003, the Federal Government's Pay Adjustment was 4.1%

17. On January 1, 2000, what percent of labor cost (pay and benefits) went to Amtrak unionized employees? What percent of labor cost (pay and benefits) went to management? Provide the same percentages projected for June 15, 2007, including the premium pay management increases effective June 4, 2007.

Response: The percentage of labor cost, Union vs. Management, shown below were provided by our Finance Dept. The numbers are based on 2000 (pay & benefits) vs. a projected annualized 2007 (pay and benefits):

	Mgt	Union
2000	12.05%	87.95%
2007	17.98%	82.02%

The premium pay plans were not implemented and thus do not impact the above figures.

18. Provide a list of all consultants retained by Amtrak since January 1, 2000. What has been the cost of these consultants? Provide a detailed accounting of what they were hired to do. List any former Amtrak employees who work(ed) for any of the consultants. Have any of the consultants subsequently been hired as Amtrak managers? If so, who and at what salary?

Response: See Attached

19. What is the rationale for replacing unionized positions, such as on-board supervisors, with higher paid customer service managers?

Response: We have never replaced union supervisors with Customer Service Managers. For approximately 17 years, we deployed union supervisors for all long-distance trains on a daily basis. The size of this work force during this period was approximately 160 positions. Beginning in the fall of 2000, we decided to discontinue daily coverage of these trains with union supervisors and went to a more limited assignment on long-distance trains. The headcount was reduced by 50 to approximately 110 total positions.

In early 2003, we decided that union supervisor coverage of long-distance trains was an unwise investment of manpower and cost, and 100 of the remaining 110 positions were eliminated. Coverage was maintained only on our Auto Train service. There were two compelling arguments for this decision:

1. the performance level of the (unionized) on-board crew had improved significantly, and daily union supervisor coverage was no longer necessary.

2. the effectiveness of union supervisors in the critical role of addressing employee performance problems was marginal at best, as they struggled with an inherent conflict caused by their affiliation with the same union as the employees they supervised on a regular basis.

Three years later, we created a new department (Customer Service Field Operations) and established a new management position known as the Customer Service Manager. These new managers (23 in total) had a considerable number of responsibilities that were never part of the duties of a union supervisor. These included the authority to take corrective (disciplinary) action when necessary with a non-performing employee, the authority to perform the duties of a charging officer in a formal hearing, the authority to supervise the customer service performance level of conductors, and the detailed measurement of service levels with fairly sophisticated metrics reports.

None of these critical responsibilities had ever been performed by union supervisors in their 20 year tenure on the trains, and the union President's stated position on corrective action was public opposition to any use of union supervisors in formalized corrective action.

Lastly, it should be noted that the funding for the Customer Service Managers was accomplished entirely through the automation of our remittance operations, and the permanent savings from this technological enhancement were used to fund the Customer Service Manager operation. In the year that they have been deployed on trains, they have achieved significant increases in our Customer Satisfaction Index scores (CSI) as they worked with the on-board crews to improve service quality.

CONSULTING SERVICES
FY04 through FY07 YTD

Short Description	Scope of Work	Contract Value	Start Date	Completion Date	Total Amount Spent To Date FY06	Amount Spent FY07	Total Projected FY07 Spend
HR Assessment	Assist HR with analysis of Employee Assistance Program/Management Leave of Absence	$34,854	04/03/2006	06/30/2006	$34,854	$0	$0
Metrics Assistance	Assist the Planning and Analysis department to define the metrics and drill down structures that will enable Amtrak to develop an executive level dashboard that is integrated with other department dashboard development	$139,211	06/16/2006	12/10/2006	$58,000	$81,211	$81,211
Long Distance Assistance	Consultant support for development of the Long Distance Network Strategic Plan. Assistance with structuring the approach to develop a "Clean Slate" Network Restructuring plan, project management, task completion, master planning, modeling, and mapping, etc.	$537,927	04/07/2006	01/17/07	$411,141	$126,782	$126,782
Acela Improvements	Assist Customer Service in developing implementation plans for service improvement: OTP, Trip time, Equipment condition/appearance, Customer centric employee behavior	$199,000	02/17/2006	08/01/06	$199,000	$0	$0
Planning Priorities	Assistance with establishing a prioritization process and work plan for the Planning and Analysis department for FY06 and beyond, establishing the Strategic Reform Initiatives (SRI) program management office ("War Room"), implementing project tracking and reporting processes for the SRIs, developing and implementing change management practices to drive organizational progress towards achieving strategic goals, and completing other tasks as they are identified	$530,000	03/09/2006	01/22/07	$268,924	$256,239	$261,076
Business Planning	Support to facilitate the development of business plans associated with the Strategic Plan	$114,363	12/08/2005	02/28/06	$114,363	$0	$0
Mechanical Strategic Init	Identification of changes in the Shopcraft Bargaining Organizations Contracts and recommendations concerning those changes	$70,056	12/23/2005	03/01/06	$70,056	$0	$0
Auto Train Improvements	Support of the Long Distance OTP improvement initiative. Review / analyze terminal operations at Sanford, FL, Lorton, VA, and midpoint review and fueling operations at Florence, SC	$180,547	02/09/2006	08/01/06	$180,547	$0	$0
Collective Bargaining Consulting	Additional analysis of shopcraft bargaining organization contracts	$6,778	09/01/2006	11/30/2006	$0	$6,778	$6,778
Metrics Assistance	Document and finalize metrics, definitions, calculations, and drill-downs/roll-ups with respective departments. Identify possible issues and concerns with data or metrics	$90,300	09/05/2006	06/30/2007		$78,081	$90,000
SEA & LA OTP	Support of the Long Distance OTP improvement initiative. Review / analyze terminal operations at Seattle and Los Angeles	$198,000	10/17/2006	12/15/2006	$0	$199,000	$198,000
NEC STR PLAN	Support for development of the Business Plan for the Northeast Corridor (NEC) train operations line of business	$180,000	10/13/2006	11/30/2007	$0	$131,724	$180,000
Activity Budgeting	Assist Amtrak in the development of activity based budgeting	$194,963	01/29/2006	03/31/2006	$194,963	$0	$0
State Corridor Operations	Structure an approach to develop a State Corridor Operations Business Plan, Project Management, task completion, master planning, modeling and mapping, etc	$129,779	12/07/2006	11/30/2007	$0	$46,661	$129,779
NEC Preliminary Work Plan	NEC preliminary work plan	$10,000	04/11/2007	05/15/2007	$0	$0	$10,000
NEC Improvements	Identify infrastructure capital needs for the state of good repair, capacity and speed improvements on NEC	$274,952	04/27/2007	07/22/2007	$0	$0	$274,952
	Sub-Total:	$2,891,432			$1,631,850	$928,476	$1,359,678

June 21, 2007

CONSULTING SERVICES
FY04 through FY07 YTD

Short Description	Scope of Work	Contract Value	Start Date	Completion Date	Total Amount Spent FY06	To Date Amount Spent FY07	Total Projected FY07 Spend
Mechanical Maintenance Process Imp	Identify mechanical maintenance shop process improvement opportunities and assist in cross functional teams to implement improvements	$1,288,300	04/25/2006	04/30/2007	$904,838	$383,462	$383,462
Diesel Loco Outsourcing Support	Analyze existing operations to quantify potential advantages to outsourcing parts of the operation and make recommendations on improvement to operations and assist with implementation	$306,294	11/09/2005	11/01/2006	$290,027	$16,267	$16,267
Diesel Loco Outsourcing Support	Assist in implementing operational improvements and provide advice during negotiations with potential vendors	$270,000	11/01/2006	04/30/2007	$0	$184,144	$270,000
Mechanical supply chain improvement	Identify mechanical material supply chain process improvement opportunities and assist with cross-functional teams to implement improvements	$2,000,000	11/01/2006	10/31/2007	$0	$942,389	$2,000,000
	Sub-Total:	$3,864,594			$1,194,866	$1,526,262	$2,669,729
MAMPS Revitalization	Develop a cohesive long term plan for an integrated software system to deliver supply chain management for the mechanical and materials management departments	$447,000	10/18/2004	09/30/2007	$200,680	$229,676	$746,420
NEC Food & Bev	Prepare a scope of work for outsourcing food and beverage services on NEC and assist in solicitation process	$19,838	05/01/2006	08/15/2006	$19,838	$0	$0
JMAC	Consulting assistance for unions for their scope in the JMAC committee	$90,000	06/19/2006	09/30/2007	$19,179	$44,218	$70,821
Call Center Consulting	Prepare a scope of work for call center outsourcing and assistance during the solicitation process	$452,156	04/13/2006	02/15/07	$299,010	$153,146	$153,146
Retirement Plans Consulting	Assist in the selection of record-keeper and custodian for 401K plan assets. Assist in resetting asset allocation and the search for investment managers for the management Pension Plan	$325,500	03/30/2006	03/31/07	$82,867	$246,633	$246,633
Public Relations	Public Relations assistance relating to the change in the CEO	$99,101	02/27/2006	03/31/06	$99,101	$0	$0
Superliner Food & Bev	Provide oversight for conversion of the food and beverage sales on superliners	$32,873	04/25/2006	05/15/06	$32,873	$0	$0
Management Compensation	Consulting assistance in evaluation of Amtrak's management compensation program	$25,000	12/01/2005	01/31/06	$25,000	$0	$0
Superliner Food & Bev	Designing food and beverage layout for superliners	$15,029	11/23/2005	12/31/05	$15,029	$0	$0
Mechanical Maintenance Process Improvement	Identify mechanical process improvement opportunities at Chicago and assist with cross-functional teams to implement improvements	$392,500	02/10/2007	04/30/2007	$0	$366,777	$392,500
Call Center Consulting	Analyze current call center operations and make recommendations for improvements	$180,000	01/20/2007	09/01/2007	$0	$124,266	$180,000
Chief Risk Officer Reorganization	Assist in the development of a plan to restructure the Office of the Chief Risk Officer	$46,610	02/01/2007	08/01/2007	$0	$7,409	$46,610
NEC Food & Bev	Assist in the improvement of food and beverage service in NEC	$63,521	01/18/2007	07/31/2007	$0	$33,515	$63,521
M/E & M/W Operations Support	Select an off the shelf integrated supply chain application to support the long term business goals of M/E and M/W	$514,891	04/05/2007	09/30/2007	$0	$74,378	$514,891
NEC/ACELA Improvement Program	Assist in various improvements in the NEC/Acela Program including process improvements, enhanced service delivery, development, delivery and installation of key performance metrics, management controls and culture changes	$1,347,250	02/01/2007	08/01/2007	$0	$374,166	$1,347,250
	Sub-Total:	$4,035,269			$793,477	$1,656,386	$3,241,792
	TOTAL:	$10,791,295			$3,520,192	$4,111,124	$7,271,099

CONSULTING SERVICES
FY04 through FY07 YTD

Short Description	Scope of Work	Contract Value	Start Date	Completion Date	Total Amount Spent To Date FY06	Amount Spent FY07	Total Projected FY07 Spend
Short Description	Scope of Work	Contract Value	Start Date	Completion Date		Total Amount Spent	Balance Remaining
MAC	Consulting assistance for unions for their scope in the JMAC Committee	$2,558				$2,558	
onsulting study of SAP	SAP 4.6C SAP HR Upgrade Project Completion	$22,421	4/5/2004	04/22/2004		$22,421	
AP Process	Assistance w/scope document, SOX compliance methodology, approach/ process, etc.	$1,550,000	4/9/2007			$764,550	$785,450
dditional service for Supply Chain nprovement Plan	Required to complete project identified in S 071 76731	$4,000	10/20/2004	12/02/2004			
	Sub-Total:	$1,578,979				$809,629	$785,450
raining	Diversity refresher training	$369,500				$243,724	$125,776
	Sub-Total:	$369,500				$243,724	$125,776
	TOTAL:	$12,739,774				$6,164,377	

TESTIMONY

OF

DAVID M. LANEY
CHAIRMAN, BOARD OF DIRECTORS
AMTRAK

BEFORE THE

SUBCOMMITTEE ON RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS

OF THE

HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

TUESDAY, JUNE 12, 2007
2:00 P.M.
2167 RAYBURN HOUSE OFFICE BUILDING

Mme. Chairwoman and Members of the Committee, thank you for the invitation to appear before the Subcommittee today. We are glad that Congress is turning to Amtrak's reauthorization and hopeful of a constructive outcome. As you know, the last time an Amtrak authorization bill was enacted was ten years ago, and I believe that it is now in everyone's best interest that Congress has this discussion about the U. S. passenger rail service and the central role that Amtrak can play in shaping its future.

It is worth reminding you that the talent and experience housed in Amtrak represent virtually all of the passenger rail expertise remaining in this country today. I believe that expertise is worth protecting and growing, but I know also that it will not survive unless we at Amtrak successfully continue to build Amtrak's credibility with Congress and the Administration, with the American public and in the commercial marketplace. That is our challenge.

Afforded even the barest minimum of necessary operating support, as we have received during the last four years, we are successfully tackling that challenge. Not as fast as I would like, but faster than I expected. We are nowhere near anything resembling the "end zone". Still, the progress is significant and tangible, thanks largely to the remarkable expertise and an almost inconceivably steady commitment to Amtrak of its workforce.

Among the more intractable challenges before us are:

- On time performance of long distance and corridor operations on "host" railroads
- Renewal and replacement of Amtrak's aged equipment fleet
- Restructure and rationalization of our long distance routes
- Establishing stronger, constructive relationships with States in connection with corridor development
- Reauthorization and the critical need for a Federal-State "match"
- Resolution of outstanding labor contracts with flexibilities that will enable growth
- Passenger security

As for priorities, the security of our passengers and employees will always remain front and center, of course. And regarding our capital strategy, we are moving beyond the concept of "state of good repair" to a more strategic investment strategy.

Those are the challenges. But there have been achievements as well.

- Containing and reducing Amtrak's federal operating support
- Revenue and ridership growth
- Quickly and effectively overcoming Acela equipment defects and service interruptions

- On time performance levels of the Acela approaching 90%
- Corridor initiatives, particularly the SEC Corridor initiative (See the FRA Website)
- Debt reduction. Amtrak has reduced its debt by approximately $500 million over the last four years, including $171 million in FY 2006 and $108 million thus far this year. Amtrak has repaid $60 million of its 2002 emergency $100 million RRIF loan.
- Success of state corridors. In California, the Capitol Corridor now has 6 daily round trips and in FY07 ridership up 12% so far. Illinois more than doubled service on 3 corridors in October 2006 and FY07 ridership is up 45% on all 3 corridors. The Keystone Corridor in Pennsylvania now has 14 weekday round trips, with lower travel times and its FY07 ridership is up 17%. In Washington and Oregon, the Cascades service now has 4 daily round trips; we hope to add another shortly. Ridership in FY07 ridership is up 9%.

The catalogue of positive results could continue, but I will instead close with my perspective our employees, our management team, the working support we have had from the Department of Transportation and Secretary Peters, the Federal Railroad Administration and Administrator Boardman (an active member of the Amtrak Board) – all are in excellent shape. And finally, I believe you have a very independent, talented and pro-active Board, which makes a difference.

Again, thank you for the invitation to be here today, Mme. Chair and Members. Now I would like to defer to the President and Chief Executive Officer of Amtrak, Alex Kummant.

Questions for the Record
Mr. David Laney

1. Mr. Laney, the draft of the Strategic Plan mentions a number of aggressive actions Amtrak will consider taking if freight railroads continue to prevent Amtrak from meeting its on-time performance goals on routes outside the Northeast Corridor. Can you tell me more about what these actions would entail, and what would prompt you to pursue them in FY2008?

Response: The two largest sources of delay to Amtrak trains operating on host railroads are delays due to interference with other trains and delays due to track and signal condition. If negotiations with host railroads to minimize freight train interference delays do not produce results, Amtrak's principal recourse is federal statute. Originally titled the "Rail Passenger Service Act," 49 U.S. C. § 24308(c), Preference Over Freight Transportation, states in part, "Except in an emergency, intercity and commuter rail passenger transportation provided by or for Amtrak has preference over freight transportation in using a rail line, junction, or crossing unless the Secretary of Transportation orders otherwise under this subsection." However, the statute also states that "...only the Attorney General may bring a civil action for equitable relief in a district court of the United States when ...a rail carrier... engages in or adheres to an action, practice or policy inconsistent with [the statute]." 49 U.S.C. § 24103(a)(1). If excessive freight train interference delays to Amtrak trains continue on some routes, Amtrak or other interested parties must ask the Department of Justice to bring suit in federal court against a host railroad for delays on certain route or route(s). Regarding track and signal delays, if host railroads fail to maintain their infrastructure in a condition that enables Amtrak trains to operate with reasonable reliability, fail to make reasonable efforts to operate Amtrak trains on schedule, or fail to cooperate in good faith with Amtrak in providing service, then Amtrak's operating agreements with our host railroads provide for arbitration to order host railroads to make these efforts. Amtrak is actively reviewing each route for compliance with these standards, and where we see poor on-time performance combined with a host railroad failure to make these efforts, Amtrak will pursue a contractual arbitration to force compliance.

2. Mr. Laney, what is your vision of Amtrak? What does Amtrak need to do in the next five to ten years to remain successful?

In our Strategic Priorities and FY08 Operating and Capital Plan (June 21, 2007), Amtrak identified a number of initiatives to advance our vision of continuous and measurable progress towards excellence. Amtrak's primary objective is to ensure that our severely constrained resources are directed towards measurable objectives that deliver high value to stakeholders.

These initiatives include the following:

- Financial—Achieve annual reduction of Federal operating support, increase revenue in all operating sectors, achieve annual reduction in overhead expenses (as a percentage of total revenue), reduce net food and beverage service and sleeper service expense, utilize private capital where appropriate.
- Improvement in Reliability and Trip Times—Achieve and maintain minimum on-time performance targets for Amtrak's various train service categories.

- Safety and Security—Achieve and maintain industry leadership in the areas of safety and security strategy.
- Long-Distance Service—Implement a common sense strategy that reduces Federal operating support, preserves and enhances a connecting network between state corridor systems, restructures service into a more viable network.
- State Corridors—Reduce Federal operating support, expand existing and emerging corridors where warranted, develop long-term funding partnerships with states.
- Labor—Achieve a fair, good-faith resolution of outstanding labor negotiations.
- Reauthorization—Provide support, expertise, and assistance in the Federal reauthorization process, including provision of a Federal-state financial match program targeted to state corridors.
- Equipment and Infrastructure—Develop a clear road map for Federal/state funding of a rolling stock program for the next 10-15 years, further reduce backlog of deferred maintenance on Northeast Corridor, develop a comprehensive Northeast Corridor master plan that integrates the needs of all stakeholders.

3. Mr. Laney, International President Bob Scardelletti of the Transportation Communications International Union (TCU) recently announced that a strike may be the only way to move forward to resolve their continuing frustration with their lack of a renewed contract with Amtrak. How would a strike by TCU affect Amtrak's operations? What is your reaction to Mr. Scardelletti's comments?

Response: See Mr. Kummant's response on a strike. A strike would affect the entire country where Amtrak operates, including the Northeast Corridor and the California corridor where commuter operations would be adversely affected. As you know, Congress has the authority, after a Presidential Emergency Board and a failure to reach agreement, to take action to resolve the strike. A strike can only legally occur after a release by the National Mediation Board, an anticipated recommendation to resolve the dispute by a Presidential Emergency Board and the failure to reach agreement after that.

4. Mr. Laney, how often did you meet with the White House to discuss Amtrak's FY2008 budget?
   Response: There were no meetings between me and the White House on Amtrak's FY2008 budget

   Did you provide the White House with a requested budget for Amtrak?
   Response: No; none requested

   What was the requested budget and what was their response?
   Response: None requested

   Are you satisfied with their budget request?
   Response: I am satisfied with Amtrak's budget request.

5. Mr. Laney, in your testimony, you state that a challenge before Amtrak is to resolve "outstanding labor contracts with flexibilities that will enable growth." Please explain to me what you mean by "flexibilities that will enable growth."

Response: Flexibilities mean the changes in work rules that differ from union to union to reflect the 21st century efficiencies and productivity to operate Amtrak in a fiscally responsible manner. Many of the Amtrak work rules date back to the early 1900s and do not address the technological and other changes that have occurred in this and other industries since then.

6. Mr. Laney, in your testimony, you point to the success of the state corridors in California, Pennsylvania, Illinois, Oregon, and Washington. Please say more about why this is a success story for Amtrak.

Response: Amtrak's future success hinges on the continuing success of state rail corridors such as in California, the Pacific Northwest, Chicago hub, Southeast as well as the Northeast Corridor, and ultimately in other regions such as Florida, the Gulf and Texas. I believe intercity passenger rail has a bright future, and will play a vital role in the country's transportation system over the next five to 10 years and beyond. But while the federal government has a key role to play as a catalyst for rail development – primarily by providing a capital matching program comparable to other modes – the states will continue to lead the development of passenger rail. Recent successes in these regions demonstrate that the states can be successful in developing their rail services, and Amtrak will continue to support these efforts through planning, operations and technical support. The benefit to Amtrak is growth in ridership, more efficient use of our assets, and a stronger brand.

7. Mr. Laney, as Amtrak continues to pay down its debt, what benefits can we expect to see in terms of this money that can now be used for other expenditures?

Response: In general, our federal appropriation is explicit about the ways in which we can use federal funding. Our required debt support payments are approximately $285 million annually, and our total outstanding debt has decreased by approximately $500 million in the past four years. Given the structure of our debt, our required debt support payments will be essentially constant over the next few years, even though the total outstanding debt will continue to decrease.

Given that the federal funding for debt support is explicitly earmarked for that purpose, and that that amount is unlikely to decrease in the near term unless funds are specifically allocated for debt extinguishment, reduction in our overall debt level will not free up funds.

In general, the most attractive areas for us to use additional funding, from whatever source, is for capital investment in our physical facilities and in new rolling stock and propulsion equipment.