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RAILROAD ADVANCEMENT AND INFRASTRUCTURE LAW OF THE 21ST CENTURY-RAIL–21

HEARING

BEFORE THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

NOVEMBER 1, 2001

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SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

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RAILROAD ADVANCEMENT AND INFRASTRUCTURE LAW OF THE 21ST CENTURY-RAIL–21

THURSDAY, NOVEMBER 1, 2001

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Committee met, pursuant to notice, at 9:30 a.m. in room SR–253, Russell Senate Office Building, Hon. Ernest F. Hollings, Chairman of the Committee, presiding.

OPENING STATEMENT OF HON. ERNEST F. HOLLINGS, U.S. SENATOR FROM SOUTH CAROLINA

The CHAIRMAN. Good morning. If we could get started, we have two important Senators here and we have two other important Senators on their way, on Amtrak, and they are slightly delayed.

I learned years ago, representing a public transportation system in the City of Charleston, the city bus system, that there is no way to make a profit. If there is a public transportation entity that is making a profit in the world, we ought to know about it. We subsidize the airlines and air travel, and we subsidize highways, but we balk at subsidizing passenger rail. In fact, there is something in the bill here that we need to repeal, that requires Amtrak to make a profit.

Senator McCain and I have already worked together to address rail security needs. The bill was reported on the calendar, and we hope that it can be brought up next week. Let me yield to Senator McCain.

STATEMENT OF HON. JOHN MCCAIN, U.S. SENATOR FROM ARIZONA

Senator MCCAIN. Thank you, Mr. Chairman: I want to begin by thanking you for holding today's hearing on this legislation, which includes a number of funding proposals concerning rail passenger and freight transportation.

I must go on the record for having little support for S. 1530 as currently drafted. I want to thank the Chairman for directing our Committee's attention to these very important issues for consideration and debate. The Chairman's actions demonstrate how the legislative process is supposed to work. That is, a bill is introduced and a hearing is held to consider its merits and receive input from interested parties. Unfortunately, usually provisions are stuffed into appropriations bills and many times in conference with little

debate or discussion or involvement of the authorizing committee. There are a number of expired—and I do not think Amtrak's authorization should be at the top of our agenda, given that Amtrak is currently authorized through the fiscal year 2002. There are a number of expired transportation-related programs under our Committee's jurisdiction that in my judgment should take precedence. These include: reauthorization of the hazardous materials transportation safety program, which expired in 1998; rail safety, which expired in 1998; surface reauthorization of the Surface Transportation Board, which expired in 1998; reauthorization of the Federal Maritime Commission, which expired in 1998, and reauthorization of the U.S. Maritime Administration, which expired in 2001.

We, as we all know, passed the Amtrak Reform and Accountability Act in 1997, which requires Amtrak to run without Federal operating assistance no later than 5 years after the date of enactment, which is December 2, 2002. S. 1530 would change that requirement and force the American taxpayer to continue supporting Amtrak financially without any expectation of improved service or fiscal accountability on the part of Amtrak. I assure my colleagues that was not our intent when we worked together to pass the 1997 reform law.

What has Amtrak accomplished since the reform bill's enactment? Amtrak's press releases often boast about increased ridership and revenues. Unfortunately, those press releases never quite tell the full story. According to the General Accounting Office, any increase in ridership has resulted in an increase in expenses that outpace revenues.

Moreover, Amtrak's debt load has tripled since the reform bill's enactment to over $3.3 billion and it has spent more than $4.4 billion in taxpayers' dollars during that same period. Despite repeated testimony by Amtrak officials this year about being on a "glide path to operational self-sufficiency." Amtrak entered into a creative agreement in June to mortgage a portion of Penn Station to obtain cash to allow Amtrak to continue operating past this summer. Clearly, our expectation for a new and improved Amtrak when we passed the reform bill in 1997 has not been realized.

I believe that passenger rail can and should be a part of our nation's transportation system. I continue to question how it should be structured and managed, knowing that Amtrak has failed to meet even the lowest expectations for 30 years.

I recognize that Amtrak appears to be working in some areas, like the Northeast. However, I do not believe it has demonstrated an ability to work in most other areas based on Amtrak's own data, which indicates that every one of its 41 routes lose tons of money, with some routes losing hundreds of dollars per passenger.

If the collective wisdom of Congress is to support rail passenger transportation in some manner, it is time to face up to the reality that Amtrak is a failed experiment and we need to completely restructure the current system instead of simply reauthorizing Amtrak as we know it. I hope today's hearing can be the beginning of an open and full debate about the future of rail passenger service in this country.

I have also concerns over the freight rail funding provisions in the bill, particularly the proposal to increase the total obligation

level permitted under the Railroad Rehabilitation Improvement Financing Program from $3.5 billion, a level I reluctantly agreed to during conference consideration of TEA–21, to $35 billion. While I understand there is great need for infrastructure financing in the freight rail industry, I cannot support placing such a financial risk on the American taxpayers.

I would urge all my colleagues to go back to the debate in this Committee and on the floor of the Senate in 1997, when we reauthorized Amtrak and everything was going to be fine. Amtrak was going to be financially independent. We had no worries. All we had to do was bail it out one more time, which we have done repeatedly since Amtrak was created, and at that time the promise of full financial independence was going to take place within 3 years.

Mr. Chairman, I hope we can have an open and honest debate. I hope that, if we are going to work to maintain a rail system in this country, we start getting a little realism about it and recognize that we have to fundamentally restructure this rail system unless it is going to be a continued hemorrhaging of taxpayers' dollars, as it has been for the last 30 years.

The CHAIRMAN. Senator Kerry.

STATEMENT OF HON. JOHN F. KERRY,
U.S. SENATOR FROM MASSACHUSETTS

Senator KERRY. Mr. Chairman, thank you very much. I listened very carefully to my good friend John McCain, and he is a good friend, and we have worked together on an awful lot of things around here. As I listen to him I am kind of sort of struggling a little bit with the definitions. I think what is happening on the Amtrak issue is that we are kind of talking past each other a little bit. We need to find a way to understand what we are all talking about when Senator McCain says Amtrak is a failed experiment and we have to change or fundamentally reconstruct Amtrak as we know it.

It sort of reminds me of the welfare debate. There were a lot of people who did not just want to change welfare as we knew it, but wanted to sort of get rid of the system. There were other people who legitimately wanted to change it, fix it. We did ultimately reform it.

I would love to see what those people who oppose helping Amtrak really propose as a "rail system" and how much are they willing to support for what that will provide rail traffic where we have deemed we need it in America, because the problem——

Senator MCCAIN. Could I answer? The law that was passed in 1997. I totally support it.

Senator KERRY. Let me come to that. I am going to come to that, because what happens, Mr. Chairman, is when we talk about completely being financially independent, there is in that equation a requirement that is completely and totally and simply unrealistic with respect to any rail system on the face of this planet. Not one rail system anywhere operates like a business that is completely self-sufficient and profit-making, and the reason for that is that the people who ride on railroads that we want to have ride on railroads cannot afford to pay the ticket that the market price would set to

pay for the capital costs of putting the rolling stock and fixing the rail and doing what you need.

We have decided that rail is not just a business, it is a public function to some degree. It helps move people in cities, it brings workers who do not have the capacity through their pay to pay the sort of levels of fares that might be required to, quote, run it exclusively as a business, and what happens is, we are going down this road in America where we are saying one thing about Amtrak when it is, in fact, something else, and we are not treating it like what it is, or the way other people treat it in almost every other country in the world, so we have got to work through this fundamental contradiction, Mr. Chairman, and it is a fundamental contradiction.

I agree with Senator McCain, there are places that may be served under it, or there may be components of the system that do not belong in a national system, or that cannot be part of a national system, or that are not well-served by rail. Maybe that is part of the reform effort, but the problem is that for years now the problem of those particular sectors or areas of the system have been used to defeat a proper allocation of resources to the other parts of the system that we know we need, that must function, and that could work better. The Northeast, for instance.

My colleague from Arizona just said, I know that that is a good system. Well, folks, it still cannot run its trains at the rate those trains can go because we still have not invested in the tracks sufficiently to provide a rail bed that allows them to do it. That still prevents us from attracting people to ride the rails who could compete with the overclogged New York–Boston, Boston–Washington, New York–Washington sector, so until we are realistic about what we want to have as a system, we are going to be dancing around this issue, I am afraid, and not dealing with the reality.

Now, I am going to close, Mr. Chairman. In the 30 years since Amtrak has existed, we have invested a total of $35 billion in it. In those same 30 years we have invested $300 billion in our roads, and $160 billion in our airports, and until we are realistic about the needs of a decent rail system, even in America, which loves to fly places and loves to drive places, we are going to face this issue over the next years. We cannot do without it, and we need to fund it properly, but I agree with Senator McCain, we also need to decide how big it is going to be, and where it is worthwhile investing, versus where it is not. Let us make that decision, and let us get the rail system that should exist and does exist a proper chance to thrive.

The CHAIRMAN. Senator Burns.

Senator BURNS. I have no opening statement, Mr. Chairman, but I just think there is one thing missing here in this whole debate, leadership, both from the administration and this country have not really looked at our transportation system and come with any kind of a vision where we want to be in 10 and 20 years.

What is going to be our transportation needs in the future, not today, because the policy we make today will not affect anything until about 20 years from now? Where do we want to be? What will our transportation look like in this country in 10 and 20 years? There has been no vision statement or anything come from the De-

partment of Transportation or anywhere that would lead us to believe we have to change policy, or to set a policy that will get us there in 20 years, so I am listening, and will have an open mind, and I thank the chairman for holding this hearing.

The CHAIRMAN. Thank you. Senator Nelson.

Senator NELSON. I am looking forward to the hearing.

The CHAIRMAN. Thank you very much. Senator Smith.

STATEMENT OF HON. GORDON SMITH, U.S. SENATOR FROM OREGON

Senator SMITH. Mr. Chairman, I do have an opening statement. It is fairly detailed, so I would like to include it in the record.

The CHAIRMAN. It will be.

Senator SMITH. I echo what Senator Burns just said. I want to support Amtrak, but I do not know where we are going. I think we are being told that we have a national system when we do not. The investment is all essentially in one place, and I know we just need to decide what we want in this country and as it relates to rails, and that decision I have yet to feel comfortable with or to hear articulated, and so thank you, sir, for including this in the record.

[The prepared statement of Senator Smith follows:]

PREPARED STATEMENT OF HON. GORDON SMITH, U.S. SENATOR FROM OREGON

I want to thank Chairman Hollings for holding today's hearing on the important issues of rail passenger and rail freight transportation.

Last May, in my capacity as Chairman of the Subcommittee, I chaired a hearing on the financial condition of the rail industry. It was a very informative hearing. In addition to representatives of large and small carriers, we heard from several prominent rail economists regarding the industry's financial condition and its projected infrastructure investment needs.

In response to the information obtained from that hearing, I joined with Senator Breaux, the Subcommittee's new Chairman, in introducing S. 1220, the Railroad Track Modernization Act. That bill was introduced in July and would authorize the establishment of a capital grant program for rehabilitating, preserving, or improving railroad track for regional and short line railroads. The program would be authorized at $350 million annually for fiscal years 2002–2004.

Chairman Hollings has included the provisions of our bill in his legislation, S. 1530, and I look forward to working with him on this measure in the days ahead.

Today's hearing will also include a discussion on Amtrak.

I am a supporter of Amtrak. It provides a necessary transportation option in the West. Like other Members on this Committee, I support a *national* rail transportation system and will not support funding Amtrak only in the Northeast.

I represent a State that has one of the most successful passenger rail corridors in the country. In Oregon, ridership has increased by 35,000 in 2000, and has more than doubled since the beginning of service in 1994. And customer satisfaction is extremely high, although declining track conditions are beginning to adversely affect on-time performance.

I believe that some immediate investment is needed to the existing infrastructure to improve the quality of passenger travel. Increased capacity is also required to accommodate additional trains needed to serve steadily growing ridership.

I hope we can develop a proposal to restructure Amtrak in a manner that allows it to provide better service to my state and the entire nation.

I recognize that Amtrak management is forced to contend with a lot of political arm twisting, even from Members of this Committee. Because of this reality, I think if we are serious about improving passenger rail service in this country, we should consider creating a task force like we did when we established the National Civil Aviation Review Commission. Of course, if we did this, we would then need to step up to the plate and implement recommended changes and not just let another Congressionally-directed report collect dust.

Finally, I want to note that today is Administrator Rutter's first appearance before our Committee in his official role as Administrator of the Federal Railroad Administration (FRA). I want to welcome him before the Committee.

I look forward to hearing from all of our witnesses and learning their recommendations for improving our nation's rail transportation system.

Again, thank you, Chairman Hollings, for holding today's hearing.

The CHAIRMAN. Thank you. Senator Dorgan.

STATEMENT OF HON. BYRON L. DORGAN, U.S. SENATOR FROM NORTH DAKOTA

Senator DORGAN. Mr. Chairman, I, too, support Amtrak, and I have just a slightly different view than some. I personally believe that we ought to have a national rail passenger system, and if it requires subsidies, as every other form of transportation does, then I support that. I think we have to abolish the self-sufficiency provision that exists in law. I know it is a matter of philosophy with some, but I frankly think that you have to have a system, a rail passenger system in this country that works, and it ought to be a national system, and I am perfectly willing, as a legislator, to support it with the funds that are necessary so that we have a system we are proud of, but at the moment we are headed towards a brick wall. This does not make any sense. We are headed towards a situation that we must resolve.

I hope we will resolve it on the side of the Congress deciding that what had been done previously was not the right thing. We want a national system. We are willing to support a national system. We remove the self-sufficiency test, allow for substantial investments to be made to make this a system we are proud of and one that works for all of this country.

The CHAIRMAN. Senators Gramm and Durbin have been waiting patiently. The Committee welcomes them. Senator Gramm.

STATEMENT OF HON. PHIL GRAMM, U.S. SENATOR FROM TEXAS

Senator GRAMM. Thank you very much. It is a great privilege for me to appear before the Committee. Senator McCain, Members of the Committee, what I would like to do very briefly is talk about the bill that is before us and how it relates to the bill we passed in 1997.

I would like to review some numbers that I think are important, and then I think I would like to very briefly respond to Senator Kerry's challenge about what alternative you propose. Let me first say, as everyone has already noted, in 1997 we not only debated self-sufficiency, Congress went on record, we passed a bill, the President signed it into law, and it is now the law of the land that Amtrak should achieve operational self-sufficiency by 2002.

The bill before us, Rail–21, repeals that self-sufficiency requirement. It provides $1.2 billion in additional Federal funds. That boils down to $51 per passenger that will ride on Amtrak next year. It eliminates the redemption of nonvoting common stock. I would remind Members of the Committee that when Amtrak was put together, railroads contributed capital equipment and in turn they were given nonvoting common stock.

This bill, by repealing, or basically forcing them to give up that common stock, I think one could argue whether it has value or whether it does not, that that is a taking. This bill would allow Amtrak *for the first time to use GSA.* I am not an expert on GSA, but I do not know of any other private entity that is allowed to use GSA procurement, and finally the bill has emergency provisions, but I guess it is my assumption, Mr. Chairman, that since you all have already passed an emergency bill, that that would be the proposal that would come to the floor, and I am going to talk about that very, very briefly.

Let me first say that I do not see any evidence, and I think this goes back to what Senator McCain said, and the sort of challenge that Senator Kerry framed. I do not see any evidence that Amtrak is making any progress whatsoever toward the goal that we set in 1997.

I have here expenses and revenues, and as you can tell by looking at this chart, a little progress was made in the first year under the bill. From 1997 to 1998 it is clear that there was a narrowing of the gap, but since that time, if anything that gap has widened, no evidence whatsoever to substantiate any claim that Amtrak is making progress toward the goal that you have set.

Now, you can be for the goal or against it, but the bottom line is, the current system is not working, and I do not hear any debate about that. This is operating losses. This is affected by accounting to some extent, but again the pattern is that the rate in 1997 was over $750 million in operating losses at that point, and that number has grown in 2002.

The most severe problem, however, it seems to me, that faces Amtrak is not net revenue, but gross revenue. The plain truth is that Amtrak has not developed any kind of national rider base, and I think the figure that is most alarming is that today, Amtrak carries 3/10ths of 1 percent, 3/10ths of 1 percent of all inner city travelers in America. Outside the Northeast Corridor, Amtrak is not statistically relevant to intercity transportation in America. If you look at buses, for example, and most of us do not think of buses in the same way as a national transportation system—maybe we should, as Amtrak—Intercity buses carry 33 times as many people as Amtrak carries today.

I want to say something very briefly about the security bill that has been reported from Committee, and I just point these numbers out, and I do think they say something, and you can debate what they say, the security provisions that we provided for buses, even though 33 times as many people ride the bus as ride Amtrak, cost about $200 million, and that is 26 cents per passenger. For the airlines, our security bill cost $2.95 per passenger, and we are requiring the passenger to pay for that through a ticket tax.

Senator MCCAIN. Senator Gramm, can I interrupt? We have not passed anything for the buses yet. That is just a proposal. We have not done anything.

Senator GRAMM. Well, the number that we have been debating, I should say.

In terms of Amtrak, if you look just at the narrowly defined security measures, it is $515 million in the bill that you all have reported, as I understand, and that comes out to $22.89 per pas-

senger, which is approximately ten times the cost for airlines, and if you include these tunnel upgrades in it, that grows to a whopping $78.53 per passenger for security measures on Amtrak.

Senator KERRY. Compared to?

Senator GRAMM. Compared to $2.95 for the airlines, and so I am just pointing out this huge difference.

Now, there may be reasons for the difference, but I think obviously these are things that need to be looked at.

Now, let me conclude by just briefly saying what I believe needs to be done about Amtrak. I believe that the idea that today we can have a national passenger rail system in America is an unrealistic idea. I think it is clear that passenger rail will work in areas where you have got large cities, where you have got short distances to travel, where you have got high concentrations of people.

I think we made a mistake politically by believing people would support Amtrak only if they had Amtrak in their State. I think Amtrak in the Northeast Corridor and perhaps in the Midwest, and perhaps over time built on retained earnings of a successful system, where it can work on the Eastern Seaboard initially, might some day develop more of a national system, but I think if we are going to put more money into Amtrak, that we need to terminate the lines that have no success, or no potential for success whatsoever, and we need to focus on upgrading the part of the system that can be successful and that can be a source of earnings that can fund the rest of the system.

Senator Kerry pointed out that we fund airlines and that we fund roads. Well, we do, but we do not provide operating subsidies for either, and we fund most of those things out of taxes that are imposed on jet fuel or gasoline.

I personally, as a Member of the Senate from Texas—and we have a little Amtrak in Texas, and some people are very supportive of it, and I have people who tell me they like seeing the train come and they like seeing it leave, but the problem is, they do not ever get on it, and I would just like to say, as one Member of the Senate, you do not have to do something in my State for me to support it if I believe it is an important part of the fabric of the national system.

I live in a State where people live far apart, and where we have a very competitive airlines. Thank God for Southwest Airlines. For your subsidy, annual subsidy for Amtrak in your new bill, I can virtually fly anywhere in Texas on Southwest Airlines.

So I just would like to ask you, as the leader in Congress through the jurisdiction of this Committee, to look at focusing Amtrak on the areas where it works, and I ask Members of the Senate to support it not because they are going to benefit directly, but because having an effective transportation system in different parts of the country—those systems do not have to all be the same. We are all part of the same country. We are all to some degree receiving assistance through various Government programs, and you do not have to have Amtrak in every State in the Union to justify the Federal Government being involved in it, and that basically is the point I wanted to make, Mr. Chairman.

Thank you.

The CHAIRMAN. Senator Durbin.

STATEMENT OF HON. RICHARD J. DURBIN, U.S. SENATOR FROM ILLINOIS

Senator DURBIN. Thank you very much, Mr. Chairman. Senator McCain, Members of the Committee, I appreciate the opportunity to be with you today. This hearing on this legislation could not be more timely. If Congress does not act, and act soon, I am talking about a reauthorization that addresses many of the issues of Senate bill 1530, then there is a serious question as to whether Amtrak can survive. I think that is the bottom line.

I am here today, probably a bit of a surprise witness, because I am not from the Northeast Corridor, and yet I am a strong supporter of Amtrak. Amtrak means a great deal to Illinois and to the Midwest. In my home state we benefit greatly from Amtrak jobs and service. An average of 48 Amtrak trains are run each day from 30 different Illinois communities, on more than 1,000 miles of track. Ridership in my State exceeded 2.9 million during the year 2000. 2,000 people are employed in Illinois, involved in Amtrak in some respect.

Let us remember how we got into the predicament we did. In 1997 there were forces at work in Congress that wanted to eliminate Amtrak on the spot. They had never supported it. They wanted it to go away. It was a part of the contract with America, the big revolution, and as a consequence many of us were backed into a corner on the self-sufficiency question.

We knew at the time it was totally unrealistic. There is not a rail passenger system in the world that is self-sufficient, and yet we said we would try to meet that standard. We did it to keep Amtrak alive and hope that cooler heads would prevail before 2002 arrived. That is why Senate bill 1530 is so absolutely critical. We set an unrealistic standard here. As Senator Hollings said, we subsidize every form of transportation.

Now, my friend the Senator from Texas said earlier there is no operating subsidy for airlines. Let me see, what was it, 2 weeks ago, or 3 weeks ago, when all but one of us voted for an operating subsidy for airlines, $5 billion in grants and $10 billion in loans because we knew how critically important air service was to the country. We stood up because we wanted to do what we could to put people back in airplanes to keep the airlines working, because we knew it was essential to our economy.

Make no mistake, Amtrak is also essential, and if we lose sight of that in this debate, if we believe that we can literally walk away from Amtrak and some day recreate it, we are living in a fantasyland. Amtrak is here. It should be expanded. It should be a critical part of our future.

Can Amtrak reach self-sufficiency by next year? I think it can, but you will not like what happens. Amtrak can reach self-sufficiency at the expense of service to communities across America. I represent a State with a lot of small airports. I think we can put two staff members full-time on dealing with those small airports and their needs, because they realize how critical air service is to their communities.

Now, imagine if you will for a moment your role as a Senator when they start closing Amtrak service in community after community. Imagine the mayors and the chambers of commerce and all

the people involved coming to you and talking about the impact that it is going to have on the local economy, a legitimate concern, and to let Amtrak go away because of this trigger that was dreamed up in 1997, I think is extremely short-sighted.

Senator Burns says, look to the future, and I think you are right, Senator, and I think if we look to the future, you ought to understand the role that Amtrak can play in that future. We ought to accept, as Senator McCain says, we ought to face reality, and here is what reality is.

Number 1, Amtrak needs Government support. We provide support today for the airlines and airport services, we provide support for highways in so many different ways. Amtrak, the third leg on that stool, will also need Government support. It should have been capitalized adequately from the start. Had that happened, perhaps it would be at the point of operational self-sufficiency, but because they have had to go to the private market to borrow the money to get started, rather than to have the Government investment, it has created a problem which they just cannot overcome.

I might also add that we have to acknowledge the fact that Amtrak is an important part of our economy as well. It is an important part of our future.

Finally, let me say this in terms of the reality of Amtrak. How can we have an honest, meaningful debate about energy in America without Amtrak? How can we talk about moving toward energy self-sufficiency in America? We may never reach it. Especially if we eliminate one of the sources of travel that is so essential in this country. Do you think we are a better country by putting more cars on the road and taking people off the Amtrak trains? I do not think so.

I think we are going to see congestion, pollution, more demand for oil, more dependency on the Middle East. It makes a lot more sense from where I am sitting for us to be talking about conservation measures and mass transit and other things that should be part of a comprehensive energy picture. To think at this moment in time, in light of what we are going through, that we would turn our back on passenger rail service and eliminate it, it is so short-sighted.

This is not about nostalgia This is about the reality of transportation in America. I believe in my State of Illinois, if this bill passes and we move toward high-speed rail, doubling and perhaps increasing by even greaterfold the number of trains that are available, the speed of those trains, the quality of the trains that are offered, people will respond.

We have seen this in the past. I have been a passenger on Amtrak since September 11. I am glad it was there. More and more Americans have used it because of their concerns. There was a moment in time when we thought that it was just unlimited in terms of people getting on airplanes. Well, that is not the case today. I hope it returns sometime in the future, but in the meantime, it is extremely short-sighted for us to walk away from this critical part of America's transportation picture.

We cannot allow Amtrak and rail passenger service to become victims of September 11 in the current economy or any short-sightedness generated by this 1997 bill. We must reassess Amtrak

in light of our national transportation needs, and in light of our efforts to reduce energy dependence.

Thank you.

The CHAIRMAN. The Amtrak passengers have finally arrived.

Senator Biden.

Senator BIDEN. I would yield to my colleague.

Senator CARPER. I am happy to yield to Senator Biden.

[Laughter.]

The CHAIRMAN. That is why I did that, Tom, because I have gotten used to juniority.

[Laughter.]

Senator CARPER. In that case, I will go ahead.

The CHAIRMAN. Senator Carper ought to be introduced as a former member of the board, and probably knows more about Amtrak than all of us.

Senator Carper.

STATEMENT OF HON. THOMAS R. CARPER, U.S. SENATOR FROM DELAWARE

Senator CARPER. I want to thank you for introducing S. 1530. I want to thank you for your strong support for passenger rail service in our country, and to the other Members of the Committee for being here and bringing your passions and convictions to the table as well.

Senator Durbin said this is not about nostalgia. Having said that, I want to start off with a bit of nostalgia. One of my favorite stories as a kid growing up was a story my Aunt Nell used to tell us, when she took a train from West Virginia to San Diego. It was a troop train full of soldiers and sailors and airmen on their way to fight a war on the other side of the world, and she was going to go get married in San Diego, and she did. She loved to tell us that story.

Twenty-five years later, we were in another war. I was going to be in it, and some of us here were. I was on my way to San Diego, later to be stationed in California and spend some time in Southeast Asia. I did not take the train to San Diego, did not have any troop trains then. I drove my car on an interstate highway, and when I would go back and forth between California and my home, my family on the East Coast, I would fly.

My Aunt Nell did not have those alternatives in 1943. We had them in 1968 and 1969, and that is what I did.

A year or so later, some things happened here with respect to trains. The freight railroads, they went out of the passenger business. You all remember that, some of you do, and they got out in 1970 when Richard Nixon was President and the deal was struck that in return for providing some money, some cash infusion into the system, getting some stock out of it in return for turning over their equipment, in return for surrendering some real estate between Washington, D.C. and Boston, Massachusetts the freight railroads would get out of the passenger business.

They also had to agree to let this new entity, Amtrak, use their tracks whenever Amtrak was operating outside of the Northeast Corridor, but that was the deal that was struck.

I think at the time some people thought, well, there would be some early Federal subsidies, but in time those will go away, and this is an outfit that will make some money, or at least break even.

The reason why the freights went out of the business after all those years was they were losing money, and instead of gaining ridership, they were losing ridership, and they wanted to get out of the business, and why 31 years ago people thought we would make money running passenger rail service I am not altogether sure.

A lot has changed in the last three decades. We spent maybe—Senator Kerry said $35 billion. I hear it is actually closer to $20 billion in terms of operating subsidies, but we spend in operating subsidies close to $20 billion, we will spend close to that amount in 3 months to subsidize airlines that we have spent in three decades to subsidize and support Amtrak.

In 1997, the reauthorization bill, self-sufficiency was imposed by the end of fiscal 2002. In the last couple of years, we have seen an increase in ridership and revenues. The numbers that Senator Gramm presented did not reflect 2001 ridership numbers or revenue numbers. The numbers are up both in ridership and revenues. That was up even before the tragedies of September 11. On-time performance in the Northeast Corridor is good and improving. New trains have been introduced. I think most of you have probably ridden the Acela Express trains. They are marvelous trains. They are trains that we can all be proud of. They are receiving just a wonderful passenger acceptance.

The Amtrak of today is more passenger-driven, more market-focused than Amtrak was in 1970 or in 1980, or in 1990 for that matter. The unions, the labor unions, the rail labor unions have been willing to trade some productivity gains in return for increases in pay in the last couple of years.

Let me just mention a couple of other changes in the last three decades. Believe it or not, 75 percent of the people in America now live within 50 miles of one of our coasts. I will say that again. 75 percent of the people in America now live within 50 miles of our coasts. Like it or not, we face global warming, and like it or not, we face a quality of air which is not good for us or for our people.

Today, we import about 56 percent of the oil that we use. The majority of the oil that we import goes to run our cars, trucks, and vans. Our highways and airports are congested not just in the Northeast Corridor, but all over the country, and a lot of the flights that go out of these congested airports are commuter flights less than 250 miles.

Let me just lay out, Mr. Chairman, if I could a long-term strategy for Amtrak, and then I will stop. When I was on the board I served for 4 years from, I think, 1994 to 1998. The long-term strategy that seems to make sense to me is one that says, let us introduce a new breed of high-speed trains to the Northeast Corridor, what we call the Accela Express, and use those trains to generate cash, a profit, actually an operating profit that this next year will be about $200 million in the Northeast Corridor on a cash basis, $200 million. Let us use some of that money to subsidize some service elsewhere.

When Amtrak runs out of the Northeast Corridor we are on freight tracks. We have to pay to use those freight tracks. The freights do not want Amtrak to be on their tracks. It makes it difficult to get places on time. Service is about 50 percent outside the Northeast Corridor. Amtrak came up with the notion that if Amtrak could carry things other than people on their trains, and charge good money for doing so, and run on their freight tracks, we could make some money, and if we could split that profit with the freight railroads, they could make some money too, and they would actually have an incentive to let Amtrak use their tracks and not be shunted off to the side and slowed down.

Agreements have been struck with Burlington Northern and Santa Fe, CSX, Norfolk Southern, to actually do those things. It will have the opportunity to see if they work. Amtrak owns some valuable real estate. We can use that real estate in the Northeast Corridor to wheel electricity and to make money doing that. We can use that money to run fiber optic and make money to do that. Amtrak helps to run commuter services all over the country. They make money doing that. Amtrak can use their locomotive and passenger rail repair services to bring in other locomotives and passenger service from the commuter lines and make money to do that.

And lastly—I do not know if you have every taken the auto train, but there are people who pay good money to ride from just south of Washington, D.C. to Orlando, Florida. We could run auto trains from the Midwest to Orlando, Florida, from the Midwest to Santa Fe, or from places on the West Coast, and people will pay money not just to get some place, but actually where the trip itself is in large part a vacation.

Let me just close on this note, if I can. Senator Durbin said it well. Since the inception of Amtrak we have been starved for capital. We simply provide more operating subsidy. We have never made the capital infusion investments that are needed. Senator Biden and I were late today because the train that we were on was delayed because of signal problems. The reason why the train was delayed with signal problems is that a transformer blew out. There was nothing wrong with the train, nothing wrong with the locomotives, nothing wrong with the track. A transformer blew out. Railroads are inherently capital-intensive. We have never made the capital investment.

I will close with this. The fellow who succeeded me on the Amtrak board was Tommy Thompson, then Governor of Wisconsin and now the Secretary of Health and Human Services.

Senator BIDEN. He wishes he were back on the board.

[Laughter.]

Senator CARPER. He would love to be back on the board, but Secretary Thompson, in talking about the need for capital investment for Amtrak, has espoused for years an idea that provide a source of revenue, earmark a source of revenue for Amtrak and say, that is it, this is what you have to work with. He suggested adding a 1/2 cent or a penny to the gas tax and say to Amtrak, that is it, you get no more Federal operating subsidy, no more Federal capital. That is the amount of money you have to work with, so run your railroad, and if we have that money, if Amtrak had that

money they could build and run a railroad that we could be proud of.

Thank you very much.

The CHAIRMAN. Thank you. Senator Biden.

STATEMENT OF HON. JOSEPH R. BIDEN, JR., U.S. SENATOR FROM DELAWARE

Senator BIDEN. Thank you. I want to begin by thanking Senator Carper, because prior to his election I was the second most senior junior Senator in the United States Senate.

[Laughter.]

Senator BIDEN. I will just make a few comments. I know you are not going to have time for questions. I look at my friend John McCain, who I admire as much as any Member I have served with, and this is kind of like religion, this debate here. I mean, this is just like us talking about religion.

Look, folks, everybody knows the truth here. If I can make some hackneyed analogies here, you know, this rail passenger service did not start from scratch, like the airlines started from scratch. You got a little bit of the history from my colleague here. We are going under. No one wanted any part of the passenger rail service. Everybody knew we needed it, so they cobbled together this thing back in the seventies to try to save something here.

It would be a little bit like the dilemmas we have constantly, that Amtrak has thrown in its way, are the example that first of all we were held up on the track because the MARC train was ahead of us and we could not pass the MARC train, and then the signals, the transformer blew, and we all get shunted aside off the Northeast Corridor.

The reason why I never take a train going home that originates in Richmond is I know it ain't never going to get there, because Chessie is not going to let it get there in time, because they are a pain in the neck in terms of the way in which they deal with it. If I could make an analogy, it is a little bit like saying, nothing flies to Phoenix until all the cargo is in, we are going to have a passenger system for air flights, but I tell you what, cargo gets first preference. Cargo gets first preference. Give me a break, guys. You guys would go nuts. You guys would go absolutely blinking nuts if that were the case. That is exactly what Amtrak inherited.

If we started this over again we would not be doing it this way. When we passed this bill, I was against the passage of this bill. I stood on the floor of the Senate and said, there is no way they are going to achieve self-sufficiency. You have not given them the capital investment they need to do anything anyway to get going, just to get up and running, so it kind of works.

My friend from Texas, he is really good, and he gave you that chart about expenditure, X number of people ride the bus, and why don't people ride the airplane. We are spending X number of dollars for security on Amtrak. Well, that is a little bit like saying, you know, take all the people in the United States of America, and look how much money we spent in security for Washington, D.C., compared to the population, relative to how much money we spent in all, pick any 30 States, and it will probably come down to everybody who lives in the District of Columbia has, per capita, 15, 20,

30, 50 times as much spent on security relative to them as somebody living in Peoria, Illinois.

What does that have to do with anything? We are spending money for security based on where the worst thing that can happen to Americans. The number of trains, the number of people in the tunnels under New York City, built at the turn of the last century, is 350,000 people a day. There ain't no light. There is no ventilation. There is no escape routes. How many 747's is that?

And talk to the terrorists, talk to the people who study the terrorists. The ability to do phenomenal damage to large numbers of Americans is exponentially higher in those tunnels than any place else you can pick in America, including an airport.

So let us get real here. The reason why you have got to spend that much more money per passenger is that much more damage can be done to America and Americans. You are not spending money for security for railroads in Dagsboro, Delaware, because it is not likely much is going to hit Dagsboro, Delaware, but it is possible that the tunnel that goes through Baltimore, built in 1873, that has no escape, no lighting, no way out, that when there was a normal fire, a normal, ordinary fire in the tunnel, it shut down Baltimore for close to 5 days, so as we say, give me a break with these statistics.

Disraeli said, there are three kinds of lies, lies, damn lies, and statistics, and you just saw a version of it. I do not think Phil intended to mislead anybody. Technically he is probably right, specifically right. We are spending much more per passenger, but the damage able to be done to American citizens is exponentially higher in those areas.

Now, look, I am going to end, but the self-sufficiency idea does not make sense. Every single time we have come up, and I have been doing this for 29 years, which should probably be a recommendation to my constituency not to vote for me again because I have not been very successful, but for 29 years, little things like, okay guys, we know how you are about highways. We understand it's not the NRA or the AMA, or any of these outfits with the big lobbyists. It is called cement, or as they say in some parts of my state, chement. It is about cement and blacktop.

Now, look, there is a provision you all have in your states when you are in the highway bill. There is a little tiny piece of the highway money your Governors get that they are able to use for something other than building a highway, and you know what they can do? They can build a bicycle path with it. They can go out and build a bus route. They can buy buses. They do not have to pour cement. They do not have to put down blacktop.

So I came along, little modest thing, and I said, look, I spoke to a bunch of the Governors. The Governors said, look, if we had the authority to use this limited amount of money that we get from the highway trust fund, if we just were able to use that, a little piece that allows us to build bicycle paths, or build dirt roads, or put bus routes in, if we could use that for passenger rail service, your Governor in Montana said you lost $6 million when they shut down the one State because why? You lost skiing traffic. Folks did not get on the train to go skiing in your State.

Now, whether that is true or not, I do not know, but your Governor called me—this was 3 years ago—he said, look, just allow me, just allow me to take my portion of those rural—I think they are called rural highway funds that I can build a bicycle path with, and allow me to make a contract with Amtrak and say, Amtrak, if you put that train back on, I will pay you to make it worthwhile, which was something like $500,000. I forget the number, but much less than the $6 million you were losing. It seemed to me a simple proposition. The Governor is a pretty smart guy.

Guess what? You all got calls from the highway lobby. Oh, no. Build a bicycle path, but my God, don't let the State—not the Federal Government, but the State make an independent decision on its own, through its own sovereign mechanisms, to be able to use one portion of their highway money that they can use to build a bicycle path to be able to—to be able to have Amtrak run a train through their State on a track that already exists.

The reason I tell you that, this would not have solved Amtrak's problem, but it is evidence of the problem, Mr. Chairman. Nobody wants to help Amtrak. You got it. Whatever can be done to put this under from the highway boys and the airlines is something that is fine with them, just fine.

Give me a rational reason why, under States' rights, under economic incentives, under any system, you would let a Governor build a bicycle path but you all will go out—not you personally, but I will go out on the floor and vote against an amendment that says, if the Governor wants to go to Amtrak sitting behind me and say, by the way, how much would it cost to run that one train through my State? I will pay you to run it through.

And again, this is like religion. As I said, this is like arguing about the Reformation or something, because it is just frustrating. It is just frustrating.

The one thing that we would be somewhat disingenuous if we suggested is either on the part of Amtrak, that they always gave it to you straight, because these guys are clawing just to hang on, man. They are about to go under. They are about to slide off the coast into the ocean.

Or, secondly, that anybody really—did the Congress ever really give Amtrak even a remote shot, even a remote shot of making it, just a remote shot, and again, I do not want to overstate what would have happened to Amtrak and all the lines and numbers and revenues you are talking about if they were allowed to use the rural highway funds to contract with Amtrak. It is an illustration of the kinds of blockages you all have, or we have all put constantly in front of Amtrak, just flat out.

Now a last point I will make. You know, when we built the interstate highway system, nobody suggested at the front end of that that all of a sudden we are going to come along and start an interstate highway between every major city in America, and we are going to start it all at once. That is not how it happened. What we did is, we took pieces, and we sat there and we said, okay, where is the most traffic, where is the place we are most likely to get usage, and we started building these pieces, and we linked the highway system together.

What Amtrak is proposing—as I say, I associate myself with the remarks of my colleague from Delaware. What Amtrak is proposing with its high-speed rail program is to come along and say to you all, look, we are not going to do this all at once, but let us get one down here. We will get that moving and up and running, and we think the inner city rail can work here.

If you take a look at the map, which I will not bore you with, there are pieces. They are stringing this together, just like we strung the interstate highway system together, and I ask you, can anybody envision the possibility that 25 years from now, on the West Coast, the East Coast, in the Southwest and the Northwest, that there is not going to have to be a significant, efficient passenger rail system to have America call itself a major industrialized Nation? Can anybody tell me, can anybody paint that picture for me?

How many more planes can you put in the air? How many more can you get up there in my area? As I said, in my area now, but how about down in your area, in the south?

So I do not know, guys, I just think—I think we should just bite the bullet here and all convert.

Senator BURNS. Senator, would you yield for a question? Have we ever gone to the States, those States that think Amtrak is very important, and asked them to use State funds?

Senator BIDEN. Yes, we have. Tom, do you want to speak to that?

Senator CARPER. If I could, President George Warrington is here from Amtrak. He can give the actual number of States, but there are more than a dozen States, perhaps as many as 20 States who use their own money to contribute in order to maintain, and that is—I talked earlier about the elements of a system that makes sense, high-speed corridors, use some of the cash generated out of the Northeast Corridor to support service elsewhere to these freight partnerships, use that real estate to wheel electricity and to run, but also the States. The States have an opportunity and an obligation, I think, if they want service, to contribute toward it.

The CHAIRMAN. We have got two other very important panels. I suggest we hold our questions for the cloakroom.

[Laughter.]

Senator BIDEN. Mr. Chairman, thank you very much, I say to my friend John McCain.

Senator CARPER. Just one closing thought, if I could. As a member of the Amtrak board, I never opposed the requirement to meet operating self-sufficiency. I thought that that really provided a helpful discipline. Having said that, you cannot expect that kind of operating self-sufficiency without making the necessary capital investment. You have to have the capital investment if we are really going to have a shot at meeting operating self-sufficiency.

The compromise on this issue might be something called an Amtrak Reform Council. If they make a finding, they can make it today or this week or this year, that Amtrak is not going to reach operating self-sufficiency by September 30, 2002, Amtrak has to begin liquidation proceedings at that time. It could be this month. That does not make a whole lot of sense, and one thing I would ask us to consider if we do not want to eliminate the requirement for a Federal operating subsidy, and I am not so sure we ought to,

but what we ought to do is remove that trigger that is now in place that would trigger, even today, the liquidation of Amtrak. I do not think that makes much sense.

Thank you, Senator.

Senator BIDEN. Can I make one very brief comment for my friend John? John, if Amtrak goes under, I will move here and I will be here all the time.

[Laughter.]

Senator BIDEN. Thank you all very much.

Senator BURNS. We will hold your route open.

[Laughter.]

The CHAIRMAN. Thank you both very much, and we look forward now to panel number 2, Hon. Allan Rutter, the Administrator of the Federal Railroad Administration, and Mr. Mark Dayton, Deputy Assistant Inspector General for Rail.

The Committee welcomes you both. We would ask that you try to encapsulate your statements if you can within the 5-minute period. The statements in full will be included in the record.

Mr. Rutter.

STATEMENT OF HON. ALLAN RUTTER, ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION

Mr. RUTTER. Chairman Hollings, Senator McCain, and Members of the Committee, thanks for the invitation to visit with you this morning. We provided a copy of our written testimony, and I would like to dispense with reading that as long as it is made a part of the record. Instead, I would like to make four points before I respond to questions.

1. Amtrak faces serious financial challenges in the short term.

2. September 11 proves to us that America needs an effective national passenger rail system.

3. We applaud the Committee's action to enact legislation that addresses safety and security issues for Amtrak and for the rail industry in general.

4. Given the short-term financial difficulties of the current passenger rail provider, we believe that reauthorization should happen sooner rather than later, and we are ready to help you begin that consideration.

First, let me share with you some of the insights I have gained since taking office, participating in Amtrak board meetings, and reviewing Amtrak's financial data. Amtrak has significant financial hurdles in the short term. These difficulties begin with billions of dollars of backlog capital needs, but do not end there. Amtrak faces short-term challenges of over $500 million to ameliorate, through innovative financing, revenue enhancements and cost-cutting.

I am convinced that these problems would be much worse if not for the leadership provided by George Warrington, and I hope you appreciate how hard he and his team are working. However, our views on the future of passenger rail are colored by our understanding of the financial challenges currently facing Amtrak, the roots of which are in large part outside of their making or their control.

Second, I have read the comments of many of the Members of this Committee and of this body that one of the effects of the tragic

events of September 11 is a realization that passenger rail services are a vital part of our Nation's transportation system. Secretary Mineta and I share this view, and are committed to preparing for a new national passenger rail policy in light of the necessity of a functional multimodal passenger transportation system.

Third, I am grateful that this Committee took action a few weeks ago to report S. 1550, legislation to address safety and security issues for Amtrak and for the entire railroad system. The administration supports action taken to provide authorization for security needs on Amtrak's national system. We also support the need to address safety issues on rail tunnels in New York, Baltimore, and Washington, and look forward to working with Congress to find ways of leveraging local participation as we make safety improvements to those vital facilities. We also appreciate the Committee's trust in the Department in giving the Secretary an oversight role and establishing priorities for security, and in beginning construction on those tunnels, and I personally look forward to finishing the task you have assigned to complete an assessment of the security needs of the entire railroad system.

Finally, given the seriousness of the financial condition of our national passenger rail provider, I agree with Secretary Mineta that we need to advance the reauthorization of Amtrak and not postpone it. We hope to join this Committee in addressing a fundamental reassessment of what our national passenger rail system should accomplish, how much we can afford, how those services will be delivered, and how to pay for such a system.

I worry that authorizing significant capital programs for Amtrak will not solve the underlying problems it faces in the short term. I cannot sit here and pretend to have solutions in mind, but I also believe that we have to collectively address the bigger issues of passenger rail policy before creating capital funding programs for current rail services or for new state-led higher speed rail programs.

In summary, my case is this. Amtrak has immediate financial needs that need attention. National passenger rail services are an important element in our national transportation system. The Committee has already done valuable work in addressing safety and security issues for the rail system, and we support an accelerated comprehensive debate on the future of national passenger rail service.

Once again, let me express my gratitude for the opportunity to appear before you, and I look forward to answering any questions.

[The prepared statement of Mr. Rutter follows:]

PREPARED STATEMENT OF HON. ALLAN RUTTER, ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION

Mr. Chairman, Senator McCain and other Members of the Committee, I am honored to appear on behalf of the Department of Transportation and the Bush Administration to discuss the wide range of important railroad-related issues being considered in this hearing.

The events of September 11 and their aftermath have demonstrated that the nation requires a safe, secure and flexible system of rail transportation that, along with the other modes in our national transportation system, provides the mobility of people and goods necessary to support our economy and national defense. There has quite rightly been much discussion in recent weeks on how to improve the safety and security of rail transportation. But the Administration is concerned that, in

the environment of heightened legislative activity following September 11, many legislative initiatives are also being proposed that go far beyond immediate security and safety needs, such as equipment and operating expenses, and go to fundamental policy issues facing the future of several major rail-related programs. We would appreciate the opportunity to work with the Congress to develop our long- term policy options through more hearings and legislative debate. This, however, would likely require more time than is remaining in the first session of the 107th Congress.

S. 1550 "Rail Security Act of 2001"

On October 17, this Committee reported out S. 1550 to address security and safety needs within the rail industry. Mr. Chairman, I appreciate your leadership and that of Senator McCain in addressing long-standing issues related to passenger rail service that must be addressed regardless of whether the future holds a new model for passenger rail service in this country. I am pleased to tell you that, with a few modifications, the Administration can support the rail provisions of S. 1550 as the vehicle to address our most immediate rail safety and security needs.

This legislation responds to important rail safety concerns by clarifying that the Secretary's authority with respect to rail safety includes the ability to address security issues as well. This should deter litigation over this issue and quickly end any that might arise. S. 1550 recognizes the changing nature of the rail industry and enhanced cooperation among railroads by expanding the authority of railroad police officers to enforce laws on properties of other railroads. S. 1550 also authorizes appropriations to upgrade the safety and security of Amtrak-owned tunnels on the Northeast Corridor and for systemwide safety and security upgrades on Amtrak. Eligible safety and security projects might include fencing and other means to control access to the railroad right-of-way, video monitoring of key bridges, tunnels and stations, measures to screen passengers and baggage for dangerous weapons and explosives, and overtime pay for Amtrak police and other personnel overseeing surveillance of railroad property and equipment. The Administration supports the concept of strengthening and improving the safety of America's rail system as embodied in these provisions of S. 1550, recognizing that funds would only become available through the appropriations process.

However, S. 1550 also authorizes $254 million for other infrastructure improvements to the Northeast Corridor, including replacement of bridges and expansion of the train control system. These are part of Amtrak's large capital backlog, and must be addressed at some point. However, the Administration believes that these proposed improvements should be considered as part of the larger issue of how to meet the capital requirements of intercity passenger rail and the Northeast Corridor and not addressed separately as part of this legislation.

The Administration appreciates the enhanced focus on security planning required by this legislation. The Federal Railroad Administration (FRA) welcomes the role of working with Amtrak to craft a meaningful system-wide security plan that will enhance the safety of rail passengers, rail employees and the communities through which Amtrak operates. I have already met with the leadership of Amtrak and the leadership of the Association of American Railroads to ensure that all reasonable and feasible measures to enhance security are identified. FRA will facilitate the ability of Amtrak and the freight railroads to access the latest expertise within the Federal Government. Working together, the Federal Government and the rail industry will make this form of transportation more secure.

The Administration also appreciates that the Committee recognizes the role FRA can play in helping Amtrak define the most pressing of capital investments needed system-wide and on the Northeast Corridor to ensure that the security and safety upgrades are implemented as quickly as possible. In fact, earlier this week a team of FRA technical experts met with their counterparts at Amtrak to begin the process of reviewing the specifics of these contemplated projects, including the extent to which State, regional and local authorities will participate in the planning and funding of these projects.

Other Pressing Rail Issues

Next to immediate security and safety needs, FRA sees the future of intercity rail passenger service as the most pressing rail issue requiring the attention of Congress and the Administration. The Department believes that there is an important role for intercity rail passenger service to play as part of our national transportation system. Intercity passenger rail has the potential to provide additional capacity and flexibility for our passenger transportation system. However, financial and other constraints inherent in the current system for passenger rail service in this country limit the ability of rail passenger service to fully achieve this potential.

Amtrak faces the most profound financial challenge in its 30 year history. I recognize that Congress has heard such dire pronouncements in the past only to find that, with a little more money, Amtrak could struggle through to the next reauthorization debate. I wish to tell you that we have found that the challenge is real this time. Amtrak has and will, to the extent possible, continue to mortgage or sell assets to pay salaries, buy fuel and meet its other operating needs. But the available assets are down to a precious few. And each time one is converted to cash, that transaction reduces the flexibility and options that we, the Congress and the Administration, have in addressing the future of intercity passenger rail.

The Administration and the Congress need to work together to identify the structural reforms and develop solutions that will result in a financially stable system that can help this country meet our mobility and national defense needs. We must address the issues of what the rail passenger transportation network should be, what we can afford, how it will be operated, and how it will be financed. The time to articulate our national passenger rail policy has come. The Department is totally committed to working with this Committee to develop that policy.

There are many related issues before the Congress in pending legislation including bonds, either tax credit or tax free, to fund high-speed rail infrastructure and equipment investments; expansion of the Railroad Rehabilitation and Infrastructure Financing program to benefit passenger rail service; and new authorizations for high-speed rail research and development. The Administration believes that we cannot separate these issues from development of the fundamental national passenger rail policy and should not legislate on these issues until the Congress and the Administration have a shared understanding of that policy.

We are now at the point that the intercity rail passenger reauthorization debate needs to begin. The Administration plans to include at the very least, an outline of a legislative initiative as part of President Bush's FY 2003 budget submission early next year. The Amtrak Reform Council should also be in a position to present its recommendations on "an action plan for a restructured and rationalized national intercity rail passenger system" at about the same time. No doubt other interested parties will have their own ideas. I would suggest that hearings on these proposals be held early in the next session with a commitment for Congressional action on intercity passenger rail service reauthorization before the Memorial Day recess.

Mr. Chairman, this concludes my prepared remarks. I would be happy to elaborate on these points in response to any questions the Committee might have.

Senator MCCAIN. Thank you, Mr. Rutter. Mr. Dayton.

STATEMENT OF MARK R. DAYTON, DEPUTY ASSISTANT INSPECTOR GENERAL, DEPARTMENT OF TRANSPORTATION

Mr. DAYTON. Thank you, Mr. Chairman, Members of the Committee. Thank you for providing us the opportunity to comment on Amtrak's security, safety, and financial issues. In the weeks following September 11, it has become clear this country needs safe and reliable alternatives to airline travel. Two weeks ago, this Committee unanimously approved S. 1550, which provided funding for some of our country's and Amtrak's most important safety and security needs.

There are several aspects of that bill and the proposed Rail–21 legislation that I would like to comment upon today. These are funding for life-safety needs in the Penn Station, New York River Tunnels, Amtrak's immediate safety and security needs, and reauthorization of funding for long-term growth. We have repeatedly voiced our concerns about the fire and life-safety needs in the Penn Station tunnels. Amtrak, Long Island Railroad, and New Jersey Transit have been making improvements since 1976, but their efforts so far have focused on preventing an emergency that would lead to a full-scale tunnel evacuation.

On September 11, it became painfully clear that preventing against known risk is not enough. The life-safety facilities need to be brought up to standard in the Penn Station tunnels to assure

that whatever the cost, evacuation and fire and rescue activities are not compromised. We therefore support providing the full amount, $898 million, to be available until expended. Project planning should be coordinated among all users, but developing and enforcing the cost-sharing program could mean delays in completing the projects.

New Jersey Transit will have its hands full in the next few years accommodating commuters who relied on PATH train connections to the World Trade Center, and the New York MTA will need to focus on rebuilding subway lines damaged by the attacks. Without these life-safety improvements, the lives of passengers, railroad employees, and rescue personnel continue to be placed at unnecessary risk.

Amtrak also estimates it will need approximately $61 million this year to fund heightened security operations. These expenses include hiring new police and security officers, adding canine units for bomb detection, and increasing inspections of track and other facilities. Amtrak also estimates that it needs approximately $454 million in funds for capital projects to increase system-wide safety and security. These projects include improving lighting and security fencing, implementing the passenger information tracking system, purchasing hazmat and bomb detectors, and developing a railroad incident command center.

If funds are provided for these projects and for the tunnel lighting safety program, they should be earmarked for specific projects, and Amtrak should be held accountable for their use. These projects are too important to run the risk that these funds might be diverted for other uses. We believe S. 1550 provides the appropriate departmental oversight for these funds.

S. 1530 proposes extending Amtrak's authorization by 1 year. We understand the intent of this provision, which is to allow robust national debate over the future of inner city passenger rail, but there are other options. The Amtrak Reform and Accountability Act contains a sunset trigger provision that is to be exercised by the Amtrak Reform Council if it finds that Amtrak will not meet its self-sufficiency mandate.

This trigger sets a number of events into motion, including the accelerated development of restructuring and liquidation plans. Restructuring and liquidation ought to be considered, but as part of the broader debate on the future of inner city passenger rail. Decisions need to be made about how rail service will be delivered, where it will exist, by whom it will be provided, and whether and what aspects of service should be subsidized. Eliminating the sunset trigger will allow the Congress to hold this discussion according to its own timetable, not one driven by the reform act's 90-day clock.

If the trigger provision is not eliminated, consideration should be given to extending the windows for developing and evaluating the restructuring and liquidation plans.

I want to make clear that our support for repealing the sunset trigger does not imply that we support eliminating Amtrak's mandate for operational self-sufficiency. We do not. The mandate was a prime and possibly the prime policy decision in the last three authorizations. The trigger sections were strictly procedural mecha-

nisms, however, to trigger what would amount to an early reauthorization process if the key policy goal was in jeopardy, and essentially to keep from throwing good money after bad if it did not look like Amtrak was going to make it.

Now, in 2002, we are already in the reauthorization process, and leaving the trigger mechanism in place could unfortunately short-circuit the in-depth consideration of reauthorization issues that we think is needed.

Along the same lines, until these longer-term decisions are made about the future of passenger rail, it is premature to establish funding for longer term needs. Amtrak is requesting $1.7 billion in funds to increase infrastructure and equipment capacity to meet increased demand. Providing funds now, whether through S. 1530 or one of the proposed bond bills, presupposes the answers to some of the questions that will need to be asked during the reauthorization debate.

Mr. Chairman, this concludes my opening statement. I will be pleased to answer any questions.

[The prepared statement of Mr. Dayton follows:]

PREPARED STATEMENT OF MARK R. DAYTON, DEPUTY ASSISTANT INSPECTOR GENERAL, DEPARTMENT OF TRANSPORTATION

Mr. Chairman, Senator McCain and Members of the Committee,

On September 11, the safety, security, and reliability of our nation's transportation network was called into question. As airline service ground to a halt following the terrorist attacks on the Pentagon and World Trade Center, the need for reliable and safe transportation alternatives became apparent. In the intervening weeks, various bills have been introduced that propose ways to improve security and otherwise strengthen rail service. These proposals include provisions for both the short- and long-term security and safety needs as well as a variety of options for facilitating modal growth.

Amtrak's authorization expires at the end of this fiscal year and a number of options need to be weighed concerning Amtrak's future and the future of intercity passenger rail. We expect that this debate will begin in the next few months and continue through the coming year. In the near term, however, it is imperative that the immediate needs of improving the safety and security of Amtrak's operations be addressed.

S. 1550, which was voted unanimously out of this Committee on October 17, as well as S. 1530, the subject of this hearing, both contain provisions for meeting those needs. S. 1550 contains earmarking provisions intended to ensure that the funds are used for their requested purposes and not diverted to other needs. We have criticized Amtrak's capital investment strategy in the past, which has funded projects intended to improve its financial condition in lieu of projects necessary to sustain the reliability and basic integrity of its system. Earmarking the funds provided for Amtrak's safety and security needs would ensure that similar choices could not be made about how to use these funds. S. 1550 also gives the Department a critical oversight role—first in approving plans before Amtrak can spend the funds, and then in auditing their use.

Rail–21 (S. 1530) also provides funds for Amtrak's projected longer-term needs, including increasing infrastructure and equipment capacity, as well as establishing loans and loan guarantee programs for a variety of rail projects. Funding of these provisions is premature. These provisions need to be considered, but should be evaluated as part of the larger context of the future of intercity passenger rail. Decisions need to be made about how rail service will be delivered in this country, where it will exist, by whom it will be provided, the appropriate role of States, and whether and what aspect of service should be subsidized and by whom. Approving provisions for long-term funding or capacity growth presupposes the answers to some of these questions.

Amtrak's current authorization expires at the end of Fiscal Year (FY) 2002. Rail 21 proposes reauthorizing Amtrak with $1.2 billion in funds for FY 2003. We understand the benefit of such an action would provide the Congress with a broader win-

dow within which to conduct the necessary debate about the future of intercity passenger rail, but we think there is an alternative.

The Amtrak Reform and Accountability Act (ARAA) established an operating self-sufficiency mandate for Amtrak by December 2, 2002. It also established and directed the Amtrak Reform Council to oversee Amtrak's progress toward this goal and to make a "finding" at such point that it believes Amtrak will not meet its mandate. Such a finding sets into a motion a series of events, including the accelerated development and Congressional review of restructuring and liquidation plans. As an alternative to reauthorizing Amtrak for 2003, we would propose eliminating this "sunset trigger" provision or extending the windows in which the required plans would need to be considered. This would prevent the reauthorization debate from being compressed into a schedule that is too narrow to give full consideration to the wide variety of issues that need to be addressed concerning the future of national passenger rail service.

We also note that the funding authorized in S. 1530 represents Amtrak's early estimates for security and capacity-related expenses and capital needs. Amtrak has since revised its estimates to what it believes more accurately reflect its expected needs for safety and security-related projects. Our comments today refer to the revised estimates, which are also the figures reflected in S. 1550 that was voted out of this Committee on October 17. The following chart compares Amtrak's original (September 2001) and revised (October 2001) estimates.

Comparison of Amtrak's Estimates of Security and Capacity Related Needs ($ in millions)

Funding Proposal Categories	Sep-01	Oct-01
Systemwide Security		
Infrastructure and Equipment	$ 430	$ 454
Capacity Enhancements		
Infrastructure	949	929
Equipment	656	781
Tunnel Life Safety	998	998
Security Related Operating Expenses		
Existing Operations	77	NA
New Operations	41	61
Total	**$ 3,151**	**$ 3,223**

We appreciate the opportunity to comment on several aspects of Rail–21. These include:

- Fire and Life-Safety Needs in Pennsylvania Station-New York (PSNY) Tunnels,
- Funding for Security Related Operating Costs and Capital Improvements, and
- Reauthorization and Funding for Long-Term Growth Needs

Fire and Life-Safety Needs in Pennsylvania Station Tunnels.

Both S. 1530 and S. 1550 provide full funding for the fire and life-safety projects in the Penn Station New York river tunnels. While these tunnels are shared by other users, we support providing the full amount, earmarked, to be available until expended. Joint planning on the program should be required, but developing and enforcing a cost-sharing program between other tunnel users could mean delays in completing the projects. New Jersey Transit will have its hands full in the next few years accommodating commuters who relied on PATH train connections to the World Trade Center. The Metropolitan Transporation Authority (MTA) will need to focus funds and attention on rebuilding subway lines damaged by the attacks. Without the life-safety improvements, the lives of passengers, railroad employees, and rescue personnel continue to be placed at unnecessary risk.

Eleven times in the past 2 years we have raised concerns about the long-standing fire and life-safety needs in the Penn Station New York river tunnels. Almost $900 million is needed to fully address these needs, including the installation of adequate evacuation and ventilation facilities. Amtrak and the other users of the tunnels have been investing in the life safety program since 1976, but their efforts have focused on prevention, such as keeping track, signals, and equipment in a state of good repair rather than emergency response. These investments may be effective in

preparing for known risks, but it is unlikely that these efforts would have been satisfactory in responding to a terrorist attack. Prevention is a good first line of defense but it is clear that it cannot be the only one. It is essential that conditions are at least minimally adequate to preserve life in the event of a large scale emergency evacuation.

Penn Station-New York (PSNY) is the busiest railroad station in the United States, with more than 750 trains and 500,000 transit, commuter, and intercity passengers passing through the station each weekday. The two North River tunnels [1] and the four East River tunnels, completed in 1910, serve as a vital commuter link between New York City and the surrounding area.

Narrow, winding, spiral staircases and crumbling benchwalls are inadequate to support the successful evacuation of what could potentially be thousands of passengers in the event of a serious tunnel fire or other emergency situation. Ventilation systems that cannot remove sufficient amounts of smoke or heat could further jeopardize the success of such an operation. The discussion of needs has focused to date on the likely outcome in the event of a serious tunnel fire. *In December 2000, we noted that the same systems necessary to preserve life in the event of a fire—ventilation, communication, and adequate evacuation facilities—are essential to the effective response to other incidents unrelated to an equipment- or train-related fire, including a terrorist act or act of nature.*

On September 11, 2001, the terrorist attacks on the World Trade Center claimed thousands of lives both as a result of the initial airplane attacks and then the collapse of the towers as workers attempted to evacuate the building. We were especially saddened to hear that among the New York Firefighters who lost their lives on September 11 were several Department officials who were instrumental in helping the OIG to identify the most critical safety needs in the PSNY tunnels. The Fire Department's concern—then and now—is that the firefighting and rescue facilities in the tunnels are not adequate to ensure that rescue personnel could safely and successfully perform their duties. The Commissioner wrote in November of 2000, "Should a major fire or emergency occur, the skill, dedication, courage and commitment of [the Department's] firefighters may not be enough to prevent a catastrophic outcome."

The initial estimate for completing all projects on a compressed, accelerated schedule is $898 million through 2010. Although Penn Station and the tunnels are owned by Amtrak, New Jersey Transit and the Long Island Rail Road are also heavy users of the tunnels for their daily commuter operations. In the past, work in the tunnels and Penn Station has been jointly funded by all three entities. While joint funding may be the most equitable solution to addressing existing needs, it may not be the most efficient one. All three users have different funding cycles and mechanisms, and in the past, projects have been postponed when one or more entities have not able to meet their share of responsibility.

It is our view that providing full funding earmarked for these projects is the best option for ensuring that these projects are done as quickly as possible. These funds should not be viewed as a financial benefit to Amtrak—these projects will have little impact on its financial condition—but rather, the direct beneficiaries of these funds are the more than half million individuals who pass through Penn Station and the tunnels daily. In fact, commuter traffic pattern changes since September 11 have increased traffic in the North River tunnels by 44 percent, with some trains operating at 40 percent over capacity.

Quibbling over who pays what share, or what pot of money it comes from only prolongs the timetable for addressing these critical needs, a timetable which the Fire Commissioner of the City of New York describes as, "completely unacceptable and a further exacerbation of problems that have gone uncorrected far too long."

Funding for Security-Related Operating Costs and Capital Improvements

Security Related Operating Costs. Although Amtrak asserts that its ridership numbers increased as a result of disruptions in air service following the September 11 attacks, unanticipated demand and additional security precautions caused expenses to grow commensurately. Amtrak's security officers and police worked overtime to provide additional security in stations and on board trains, and maintenance crews monitored vulnerable bridges and tunnel entrances 24 hours a day. Amtrak originally projected that the expenses associated with responding to the September 11 attacks would exceed revenues resulting from increased demand. Amtrak initially requested $77 million to cover this net expense. It has since revised its cost

[1] The North River tunnels are the two tunnels beneath the Hudson River that connect New York City to New Jersey.

estimates downward and is now only requesting funds to cover expenses related to increasing its police and security forces and instituting new procedures.

Amtrak now estimates that it will need approximately $61 million in operating assistance to augment its security personnel, police officers, and K–9 units; and to institute other permanent safety and security measures. The following chart identifies the estimated annual costs of permanent security-related improvements. These are new costs associated with augmenting existing security efforts.

Annual Operating Costs Related to Enhanced Security Measures
($ millions)

Expansion of Aviation Unit (helicopter lease & 12 Detectives)	$ 2,990
Leased Vehicles (SUVs) and patrol bikes	1,095
Police Officers (150) - train riders/patrol	10,411
Security Officers (250) - patrol yards, bridges, tunnels, reservation centers	11,292
Civilian Staff/Corporate Security	669
Terrorism/Crimes Analysis Intelligence Team	354
Canine Units (20) for patrol/bomb detection	1,828
Applicant Investigation	980
Rapid Response Team (equipment/uniforms only)	457
Engineering/Maintenance/Inspection	30,761
TOTAL	***$ 60,837***

Clearly, the level of security-related operations necessary to ensure the safety of its services will strain Amtrak's already tight operating budget. Amtrak's annual cash losses are already at a level that it will find difficult to cover through existing resources. It would be unfortunate if Amtrak's decisions concerning whether, and to what extent it chooses to increase the level of security to respond to the new threats were primarily motivated by financial concerns. Federal funding earmarked for specific security-related expenses would ensure that Amtrak is able to provide whatever safeguards are appropriate and necessary to sustain the safety and security of its operations.

Security-Related Capital Needs. Amtrak has also requested approximately $454 million in funds for capital projects intended to increase systemwide safety and security. The following charts identify the equipment and infrastructure investments Amtrak believes are appropriate to provide sustained heightened security in the wake of the September 11 attacks.

Enhanced Infrastructure Security and Safety ($000)		
System Infrastructure Security- Alarms, CCTV, Fencing and barriers and lighting	$	375,880
RR incident Command System		16,750
Incident tracking - Police Crime Analysis		6,200
Passenger Information Retrieval System		5,800
Train Locator and Tracking (GPS)		5,000
Quicktrack upgrade		4,300
Mail and Express shipment tender software		1,245
Mail and Express Tracking - RF scanning		1,210
Employee ID badge system		538
Notification system		120
Bomb resistant trash containers		75
Total	**$**	**417,118**
Enhanced Equipment Security and Safety ($000)		
Head End Surveilliance Recorder	$	10,234
Remote engine cut off		6,712
Rapid Repeater Upgrade		4,320
Hy Rail Vehicle Rescue		4,000
Bomb detectors		4,000
Rapid Response Mobile Command Units (2)		3,000
Satellite Communications on trains		1,754
Package Express		1,400
Enroute train service		1,304
Hazmat detectors		651
Total	**$**	**37,375**

In recent years Amtrak's investment strategy has been driven substantially by its need to improve its financial condition. As a result, important projects, including ones that improve operational reliability or enhance security of equipment or infrastructure have lost out in the past in favor of investments that can provide a quick and significant return on investment.

This is a strong argument for earmarking of the funds provided through this or other legislation designed to fund Amtrak's safety and security-related needs. The events of the past few weeks have clearly underscored how important these projects are, despite the fact that their results may not be immediately visible. Earmarking these funds serves two important purposes: one, it would ensure that the funds are not diverted to other spending needs, and two, it would provide the Department with necessary oversight and audit responsibilities.

Reauthorization and Funding for Long-Term Growth Needs

The Amtrak Reform and Accountability Act of 1997 (ARAA) authorized nearly $5.2 billion in funding for Amtrak between fiscal years 1998 and 2002. There is no provision in the ARAA for funds beyond 2002. There are several provisions in S. 1530 that extend Amtrak's funding, provide for Amtrak's growth needs and provide long-term funding for new corridor development. In our view, the debate on the future of passenger rail service and Amtrak's respective role should be conducted first before decisions are made about which needs should be funded, at what level, and through what mechanism.

1-year Extension of Authorization

S. 1530 would extend Amtrak's authorization by one year, providing $1.2 billion in funds for Amtrak in 2003. A national discussion is needed about the future of Amtrak, the future of intercity passenger rail, and the extent to which these two should be intertwined. This discussion may start in the halls of Congress, but will need to include participation by states, cities, private industry, and the traveling public.

We understand that the reauthorization provision would allow the Congress more time to fully address the range of issues necessary to decide the future of Amtrak

and intercity passenger rail. But we believe there is an alternative. Repealing the Amtrak Reform Council's "sunset trigger" provision or extending the windows in which the resulting restructuring and liquidation plans must be addressed would provide an adequate window to fully evaluate options for the future of passenger rail service.

Repeal of the "Sunset Trigger"

The ARAA requires Amtrak to meet operating self-sufficiency by the 5th anniversary after passage of the law (December 2, 2002). After this date, no Federal funds could be used for operating needs, except those explicitly exempted in the law. The ARAA created the Amtrak Reform Council (ARC), which was tasked with monitoring Amtrak's progress towards its self-sufficiency mandate. Section 204 of the ARAA establishes requirements for the ARC to notify Congress and the President at such point that it finds that Amtrak will not meet its self-sufficiency mandate as defined by the Act. This finding, known as the "sunset trigger" sets into motion several processes, including a 90-day window in which Amtrak must develop and present to Congress a liquidation plan and the ARC must develop and present to Congress a restructuring plan. Section 205 of the ARAA defines the Senate procedure for consideration of these plans. S. 1530 proposes repeal of Sections 204 and 205 of the ARAA.

Amtrak's focus right now, and appropriately so, is on improving the security and safety of its operations, while adjusting to the new demand that it is facing in the wake of airline service reductions. If the ARC makes a finding under Section 204 of the ARAA and exercises the sunset trigger provision, Amtrak will be forced to redirect its energies towards developing a plan to liquidate its assets and cease operations.

Eliminating the sunset trigger would allow Amtrak to keep its focus on improvement rather than dissolution. It would also allow the Congress to consider Amtrak's future and the future of intercity passenger rail on its own timetable, not one driven by the 90 day clock that starts ticking as soon as the ARC pulls the sunset trigger. If the provision is not eliminated, extending the windows for developing and evaluating the plans should be considered. Our concern is that the sunset trigger provision, as is, could force decisions to be made at a time and within a timeframe that are not appropriate to fully address the range of issues that need and require careful consideration.

Capacity-Related Costs and Improvements

As part of the $3.2 billion estimate of post-September 11 funding, Amtrak has also requested $1.7 billion in funds for projects to make infrastructure improvements, and to overhaul and purchase new equipment to increase capacity to meet projected demand growth. These projects consist of the following:

Amtrak's Estimates for Capacity Related Improvements ($ in millions)		
Infrastructure Capacity		
NEC - southend - infrastructure capacity	$ 485	
NEC - northend - infrastructure capacity	243	
NY - Penn Station access and egress	101	
Chicago infrastructure - capacity	100	
Total Infrastructure		**$ 929**
Equipment Capacity		
Procurement of new equipment as dictated by demand	$ 540	
Upgrade 11 locomotives and 18 coaches scheduled for retirement and overhaul 22 locomotives and 213 coaches	224	
Repair 7 locomotives and 32 coaches in wreck status	17	
Total Equipment		**$ 781**
TOTAL Infrastructure and Equipment		**$1,710**

All of the equipment and infrastructure projects included in the estimate are included in Amtrak's 20-year capital plan and are based on growth that Amtrak anticipated would occur during that period. This planning was completed prior to September 11 and the projected growth and planned capacity improvements to accommodate this growth are exclusive of any additional demands anticipated to occur as a result of September 11. At this point, it is not apparent how the events of September 11 will accelerate demand for additional capacity, nor to what extent the planned capacity improvements will need to be augmented.

Our congressionally mandated annual assessment of Amtrak's financial needs will be issued within the next few weeks and will include preliminary results of our analysis of projected growth in passenger demand. We have updated our forecasts to reflect changes in travel characteristics resulting from the events on September 11. Our results will provide some indication of the extent, timing, and duration of demand changes. Until a complete analysis of the likely long-term effects of the terrorist acts on Amtrak's long-term passenger demand is completed, it is premature to provide funding for capacity-related projects.

Funding Beyond 2003

Several funding proposals have been introduced in the House and Senate including a variety of bond and loan guarantee mechanisms that would provide long-term funds for high-speed rail and corridor development. While some of the proposals specifically designate Amtrak as the bond issuers, others leave the option open for States, private companies, or coalitions to apply for and administer funds. If one of these measures were to be enacted, it could preempt the decision-making process that needs to occur during the reauthorization debates.

Congress and the other stakeholders in passenger rail must decide on the future of intercity passenger rail and Amtrak's role in providing such. Until those decisions are more concrete, it is premature to make long-term funding decisions that presuppose the outcome of that debate.

Mr. Chairman, this concludes our statement. I would be pleased to answer any questions.

The CHAIRMAN. Very good. From your statement, Mr. Dayton, Amtrak not only needs to be reauthorized, but it needs a more in-depth review, by us here in the Congress, and particularly by this Committee. Is that right, as a broad outlook and vision, for pas-

senger rail service in the country has not been decided upon. Is that right?

Mr. DAYTON. That is correct, and I think that process will need to involve a lot of different stakeholders, cities, states, the Amtrak Reform Council, Amtrak itself, the Administration, other Members of the Congress, and so that consideration needs to be given sufficient time to occur, and that is one reason why we would believe that the sunset trigger mechanism, while serving some purpose in perhaps earlier years, 1998 and 1999, now rightfully should be put in abeyance until we have had time to do the debate, rather than rushing a 90-day consideration.

The CHAIRMAN. Public passenger rail service is much like, I guess, world peace. We do not give up on it. We continue to work on it. But do you like that self-sufficiency provision? Do you think it is attainable? Do you know of any public passenger rail service in the world that is self-sufficient?

Mr. DAYTON. Well, I guess I would agree with Senator Carper. I think that it provided a good discipline for Amtrak. It is a key issue, however, about the amount of capital available to do that. Clearly, more capital would improve the quality of a lot of its capital, reducing maintenance costs, which are operating costs, and so it is not a simple answer, but we felt in the IG's office that this gave the Amtrak management and employees the proper incentive to try to minimize expenses while trying to increase revenue.

The CHAIRMAN. Have they responded to that discipline, as you see it?

Mr. DAYTON. From our examination, yes, I would say they have. Every time we have met with Mr. Warrington and his senior staff we have found a very solid commitment to trying to reduce expenses. It is not to say we have not been dismayed that, as revenue has grown, that expenses have matched, unfortunately seem to have matched it for various reasons, but I will say this, that we have been impressed by the revenue growth over the last 5 years. Amtrak has had some solid revenue growth, and it is the expenses we need to get under control, and therefore we like the discipline that the mandate imposed on the corporation.

The CHAIRMAN. Well, do either of the witnesses see anything really wrong with S. 1530? We are subject to amendment, and if you were king for a day would you go along with this bill, or would you amend it, throw it out? What serious misgivings, if any, do you have, Mr. Rutter, of S. 1530?

Mr. RUTTER. Well, first of all I would point out, not that I know how much good this is going to do me, is that the Administration has not taken a formal position on S. 1530.

The CHAIRMAN. I am asking about your position.

Mr. RUTTER. Well, having worked for President Bush for 6 years while he was Governor, the loyalty is a primary matter, and I would like to stay here for a couple more years.

[Laughter.]

Mr. RUTTER. Part of the response is, the written testimony addresses some of the issues there. There is much to be talked about in addressing capital needs of shortline railroads. Those shortline providers provide valuable customer focused service. Frankly, it would be nice if Mr. Hamberger's members could provide the same

kind of attentiveness to their customers that Mr. Turner's guys do, but whether the provisions in the bill to expand RRIF funding for those purposes is the best way of accomplishing that, I really cannot say at this moment.

I would point out that, given the OMB's continued interest in the RRIF program itself, that they would like to provide some ongoing technical drafting assistance should the bill be advanced on the mechanics of the RRIF program, and should it be valuable to your staff, we would be happy to talk about that.

The CHAIRMAN. Mr. Dayton, do you have any suggestions as to changes?

Mr. DAYTON. Well, most of our work has focused on Amtrak. We have not done a lot with the RRIF program and some of the freight issues at this point, and so that is why our testimony concentrated on that area.

Again, I would summarize our position at this point is that we agreed with the security provisions, and particularly the life-safety in the New York tunnels. We have testified about that issue over 10 times, I believe, and we are glad to see that funding finally moving towards authorization, but otherwise I think our view is that the remaining provisions, while many of them meritorious in the bill, we think that is in a sense the starting point, the kick-off for consideration during reauthorization.

The CHAIRMAN. Senator McCain.

Senator MCCAIN. Mr. Dayton, I was interested in your comment that when you meet with the Amtrak people you are impressed with their commitment to reduce expenses. Have they been reduced?

Mr. DAYTON. It seems that we take one step forward and one step back.

Senator MCCAIN. Well, is it not true there has been a steady increase in their expenses, and now a wider gap between expenses and revenues, all those facts are true?

Mr. DAYTON. Up until this year, the cash loss, which is what we focus on because depreciation has been growing—so that is distorting a little bit the operating loss—is that in fact the revenues and expenses have been in absolute terms practically moving in lockstep. For every additional dollar earned there is an additional expense dollar, so that the cash losses have remained essentially flat for the last 4 years. We have not made progress, that is correct.

Senator MCCAIN. Despite repeated testimony before this Committee that they would be reduced.

Mr. Rutter, what is the Administration's position with respect to S. 1550, the Rail Security Act, which was reported by our Committee 2 weeks ago?

Mr. RUTTER. It is my understanding that save about $254 million that was included in there for, I think, Penn Station access issues, the Administration supports the funding that was included in that bill for Amtrak security, for the life-safety issues on the tunnels, and for the Department's oversight of those expenditures, and for a fundamental or across-the-board assessment of rail security issues, both freight and passenger.

Senator MCCAIN. So with some change, you would support that legislation?

Mr. RUTTER. Yes.

Senator MCCAIN. Mr. Dayton, in your testimony you state that you recommend removing the sunset trigger requirement, in which the Reform Council is authorized to make a finding that Amtrak is not going to achieve operational self-sufficiency. You have testified before the Committee on many occasions, and never before have you mentioned the need to remove that trigger. What has changed your opinion, or given that a different priority?

Mr. DAYTON. I guess in the past the mandate was the policy goal. The trigger could be viewed as somewhat the incentive for the enforcement mechanism to require that Amtrak try to move forward and achieve it. As we have looked at each year an assessment of Amtrak's business plans, we have tried to look forward to the period of self-sufficiency to see if, in fact, these plans would achieve that goal.

Each year, as we looked at that, I would suppose that, as early as 1998 or 1999, the factors were such, or so strong that it looked impossible for Amtrak to achieve the goal. We said it looks like it is not possible, and then at that time, if the Amtrak Reform Council so chose, it could impose the trigger requirement, and I guess our view was that the trigger essentially was a forced reauthorization.

We had set up this goal over a 5-year period. If we looked forward and said, despite all the money we intend to give them over this period, they are not going to make it, then why go through that exercise? The trigger would essentially stop that, and force restructuring or liquidation, and essentially bring the reauthorization process into play as early as 1999 or 2000.

Since we are now in fiscal year 2002, the year in which reauthorization must occur, we now think that that 90-day period that the trigger would impose may foreclose some options or some ability to reach out to all the stakeholders on reauthorization, so it is not so much that we changed our position. It is that we just think that given now that we have reached 2002, it would be better to ensure that we have plenty of time for consideration of the issues, rather than some artificial deadline of 90 days followed by 90 days of congressional consideration.

Senator MCCAIN. Well, that was not the intent when I voted for the bill, to wait until a certain period of time and then just have it go away. It was an important part of the legislation, and unless you mean it, then you should not be writing legislation that imposes certain penalties for nonperformance.

What is Amtrak's debt load, Mr. Dayton?

Mr. DAYTON. I think it was mentioned earlier. It is over $3 billion.

Senator MCCAIN. And what do they pay to service that debt load.

Mr. DAYTON. I believe in the coming fiscal year it is going to be close to $200 million.

Senator MCCAIN. Has your office been tracking Amtrak's ridership?

Mr. DAYTON. We do as part of our assessment, yes.

Senator MCCAIN. And has it been up since September 11?

Mr. DAYTON. For September it is actually down. For fiscal year 2001 it is up over 2000, but for the month of September it was down this year.

Senator MCCAIN. Is it not true that it was down 16 percent, worse than Amtrak's projections for the month?

Mr. DAYTON. I do not have that number right here with me.

Senator MCCAIN. I think that is true.

I thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Nelson.

Senator NELSON. I would yield to Senator Cleland.

The CHAIRMAN. Go ahead, Bill.

Senator NELSON. Well, Mr. Chairman, I would pose a rhetorical question to you and Senator McCain. As Senator Biden says, a lot of this is religion, and people are hardening their positions, and as a new Senator here trying to evaluate this, it seems to me that there are clearly parts of the country where Amtrak serves the public interest, particularly the high density corridors, and the future of high-speed rail in those high-density urban corridors, where you just cannot build yourself out of the problem with roads because they are just too congested, and you cannot do it just with airplanes.

And so we ought to be pouring the juice, that kind of stuff, to encourage rail transportation as an alternative, and yet there are other parts of the country where it does not look like they are ever going to make money because people simply are not going to ride the rails if there are alternate means, either through a car, or in the case of airplanes, so I am wondering, how do you bring this debate so it is not an either-or, all-or-nothing kind of thing, and I just pose the question, if you all want to comment on that, or perhaps steer it to one of the witnesses I propose the question.

Senator MCCAIN. I would like to respond very briefly, because I have been on this Committee now since 1987, and what we do is, we go through this cycle. We bail out Amtrak, and we give it billions of dollars or more, and we say, now everything is going to be fine, and then a few years later Amtrak comes back, and comes back, and comes back. We go through this same cycle. In 1997, do not worry, this is the last time, it will be independent.

I did not say that. I never believed it, and I said, you will not, but everybody passed the bill, the legislation which bailed Amtrak out again for several billion dollars, and they are back again, and they will get their bailout for $7 billion, they will get it again, and then 3 or 4 years from now you will be sitting there, maybe a little closer to the chairman, and they will be back again for more billions of dollars, you see.

There has been no straightforward depiction of the problems of Amtrak, and I agree with you, I think it can be viable in the Northeast. I think it can be viable in the Far West. Amtrak, and perhaps some day someone will get a straight answer from them, they set up a line, a passenger route in the State of Wisconsin which we subsidized for $512 per passenger. No one in their right mind believed that that route would ever, ever make a dime, but somehow the State of Wisconsin, they put in this route.

I have got a list here. We are subsidizing lines: California Zephyr—let's see, $103 per passenger for fiscal year 2000; Southwest

Chief, $131 per passenger; Lake County Limited, over $500; I guess that is the Wisconsin one, which I think they have just done away with; The Texas Eagle, $189 per passenger; Sunset Limited, $271 per passenger. I mean; it is crazy. It is crazy. People do not ride them there.

I do agree that the Northeast is viable. I believe the Far West is viable, maybe around Chicago, that there could be a viable system, but to think that you have to buy off the votes of Senators by promising them an Amtrak route in their State does not make any sense. I join with Senator Gramm in telling the Amtrak people you do not have to put a route through my State, but what you have to do is come up with a viable plan that is realistic, and if that plan means that we have to continue to subsidize Amtrak, I can consider a reasonable proposal.

But what they have done since 1973 is promise self-sufficiency in 2 or 3 or 4 years, and it has never happened, and we bail them out every time. That is why it has got to be restructured and reorganized, and a little bit of truthful testimony before the Congress of the United States.

The CHAIRMAN. Senator Smith.

Senator SMITH. Thank you, Mr. Chairman. I think what Senator McCain just said is very profound. I just want to know what the truth is. Are we going to have a national system, or are we going to have clusters of regional systems? I am prepared to support a regional system, but I do want to be part of the discussion, that maybe there is a place in the far West where my State could be included. We have eliminated lines in my State where they just will never make money, and I recognize they will never comeback, but I am open for some "straight talk. express", if I may put it in that way, and I think we just had some, but I hope Amtrak will give us the truth.

Mr. Rutter, is there anything in the bill that is before you that you know of that would cause the President of the United States to veto it?

Mr. RUTTER. S. 1530?

Senator SMITH. Yes.

Mr. RUTTER. I probably could not say that. I can say the Administration does not have a position on it. That does not necessarily equate to there is something in the bill that would make him not sign it. He has the pen and I do not.

Senator SMITH. There may be, though?

Mr. RUTTER. Here again, it is a matter of not so much being against something that is in there. It is just that I cannot say what we are for yet.

Senator SMITH. Senator Breaux and I have now included in this larger bill, S. 1220, the Railroad Track Modernization Act, that is specifically focusing on regional and shortline railroads. Does the Administration have a position on that proposal?

Mr. RUTTER. That would be the capital grant program for short lines?

Senator SMITH. Yes.

Mr. RUTTER. No, sir.

Senator SMITH. Mr. Dayton, you testified in earlier hearings before this Committee that these tunnels in New York, that they are

used by, obviously, Amtrak, the Long Island Railroad, New Jersey Transit, and you have stated that they should all share in it, but I think I have heard you say that the Administration has changed its position now, and that the American taxpayer should bear all of the burden of those tunnels? I mean, your specific words were, it is our view that providing full earmark for these projects is the best option.

Mr. DAYTON. Well, I guess from the Inspector General's standpoint, we do not speak for the Administration, but that these tunnel issues, we think both the commuter carriers and Amtrak have done an admirable job of prevention. They have tried to prevent equipment going into those tunnels that would lead to an emergency, but the funding has never been there to fully solve the problem.

Senator SMITH. And never will be. Are you not just recognizing that this is never going to get done?

Mr. DAYTON. Well, under some of our estimates, if the funding continues at the level it had been going, it would not get done until 2030. That is obviously too long. We were just gratified to see this full authorization. I suspect that the States would be willing through negotiations to put in some of the capital funding share. Either way, depending upon how they received the money, it could come through transit discretionary grants, so in some ways it would be federal money funneling through the FTA, or in a direct approach that is in the bill, and I guess our concern is just to see the projects move forward, given the risks now that merely preventing, or having good equipment moving through the tunnels may no longer be enough.

Senator SMITH. I understand the motive, and I think it is a commendable one, but we are going to have this amendment, or in this bill, if it is not already there, an amendment to give you the opportunity to negotiate with these other lines some portion, some fair allocation that they can contribute to it, because I think it would be wrong to have the American taxpayer just pick it all up, but clearly the lion's share will be picked up by the American taxpayer. We need to do it sooner, not later.

Mr. DAYTON. We think that is reasonable. We would like to see, though, to make sure that it gets done.

Senator SMITH. That is critical. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Fitzgerald.

Senator FITZGERALD. I just looked at that list that Senator McCain had about the profit or loss per passenger, the amount of subsidy per passenger per route in this country, and it looked like they lost a lot of money on almost every train passenger who boarded. There were only a few profitable routes in the whole Amtrak system. Do you, Mr. Dayton, feel that it might be wise to terminate some of the most unprofitable routes, the ones losing $500 per passenger? Or those requiring a subsidy of $500 per passenger, and trying to focus Amtrak on its most profitable routes?

Mr. DAYTON. In the work we have done to date we have tended to focus strictly on Amtrak's financial position and its projected position. We have not said, let us step back, and how would we reorganize the system, given these projections. We intend to do some

of that work now in the coming year, so with our next report we would probably have some recommendations on reorganization.

Speaking to what Senator McCain was saying, our position really has not changed. I guess what our view is, we want to stop that cycle as well, that we think, and I think Mr. Warrington has adopted this position as well. He can speak for himself, but we cannot keep going through that cycle, and it really is time in this reauthorization to determine whether we are going to keep these trains and subsidize them. This is a broad social policy that needs to be addressed, or whether we focus the system on corridors around the country, or some other alternative. We think that is all part of the debate that has to occur in this reauthorization. We should stop the cycle, and I think Mr. Warrington is in favor of that.

Senator FITZGERALD. And you will make recommendations later as to what we might want to do, tied to any new reauthorization of Amtrak?

Mr. DAYTON. We will bring our expertise to bear, to the extent we can. There may be some things better answered by Amtrak, or the Reform Council, or the states themselves, but we will try to provide as much help to the Congress as we can.

Senator FITZGERALD. Do you agree with the statement that Senator Gramm made, that it is unrealistic to believe that we can have a successful national rail system?

Mr. DAYTON. I think, given the long distance trains, it is going to be difficult to have them there without some kind of a subsidy, whether it is a cross-subsidy from some corridors that are developed. You could imagine in 10 or 15 years, if many corridors were very successful, they would be throwing off enough money to cover operating losses elsewhere, but today, Amtrak is having trouble making that equation work, and so I think we need to have some different answer moving forward in the short term.

Senator FITZGERALD. Well, Mr. Chairman, I just want to say that I agree with a lot of the conflicting sides. I agree with Senator McCain and Senator Gramm, who think that we need to put a tight rein on Amtrak, but on the other hand, I would point out, as one of the witnesses or one of the Senators testifying earlier said, we gave the airlines more money in the last few weeks than Amtrak has probably received in the last 30 years.

We gave the airlines $15 billion. They lost $340 million a day for 4 days. That is $1.36 billion in losses, and we gave them $15 billion, and now the airline executives are over in the House, they are going to remove that prohibition that they use that $15 billion to raise their own salary. That is part of the House bill, and so it probably is unfair that we beat up only on Amtrak around here. I will say that, especially after the example of the airlines.

With that, Mr. Chairman, thank you.

The CHAIRMAN. Thank you. Senator Cleland.

Senator CLELAND. Thank you very much, Mr. Chairman. As an original cosponsor, not just this year but last year, of this effort to boost Amtrak and allow it to attract the market that we know is out there, and to break out of the Northeast, and to go West, and come to the Southeast, and boost our infrastructure, create jobs, put people to work, boost tourism, trade, travel in this country, I am glad we are having this hearing.

It is interesting that while we are talking about subsidies and infrastructure and economic stimulus and economic recovery, I just read an article in the Wall Street Journal about what President Eisenhower did in the mid-fifties, in the wake of the recessions of that era. He proposed a national defense interstate highway system, which was part of our defense structure to move people around, to move forces around in case of a nuclear attack. They also have the tremendous benefit of dramatically increasing our economic growth, allowing transportation and mobility in this country unheard of and undreamed of, and this author was talking about, why don't we do a similar thing here.

With the economic downturn, with the hit that we have taken on the airlines, it does seem to me this is a perfect time to go ahead and invest in a national defense interstate, intercity rail system.

I would offer just one observation in my own life. September 11, when the attack broke out, and within 2 hours every airplane in America was grounded, I normally go back to my state every weekend, and so what did I do? I called Amtrak, I got on an Amtrak train right down here at Union Station, and overnighted back to my home. That train was full. It was packed with passengers coming out of Boston, coming out of New York, coming out of Washington, headed south.

I think that it was fascinating that we did have a plan B. We did have an alternative to move around in this country. If we did not have Amtrak I think it would be devastating to this country, and we would be very vulnerable in many ways to the travel that we have left. I mean, since the attack, or the hit of the focus on the airlines using missiles and bombs, we have had a bus driver from Nashville to Atlanta who had his throat cut. The bus was hijacked. We have had these kinds of things, so we have got to increase our security for our modes of transportation, but I think it would be foolhardy not to invest now, dramatically invest in Amtrak.

I will say, Mr. Dayton, that I am told that before September 11 Amtrak handled about 1.5 percent of all the travel in the United States, and that it was the seventh largest carrier of passengers behind our major airlines, including United, American, and Delta. As a result of the events of September 11, I am told Amtrak's ridership now exceeds dramatically this estimate.

Now, what effect do you think it would have on our country just removing Amtrak from the current equation and doing without this mode of transportation? What effect would that have on our country?

Mr. DAYTON. For the long distance routes, I think it is, as you said earlier, that Amtrak serves as an alternative means of transportation for the Northeast Corridor, and perhaps somewhat in California, with the Pacific Northwest. I think the impact would be much greater, that Amtrak roughly carries 40 percent of the traffic between Washington and New York, and La Guardia was already in dire straits in terms of capacity issues.

So without Amtrak in the Northeast Corridor it would have quite an impact on the aviation system, and perhaps could offer, again, I think part of the debate is whether it could offer that same sort of alternative in other corridors around the country we certainly

need to study the demand forecasts, and how much it would cost, but it may provide the same sort of integral alternative in other corridors around the country, and then for the long distance trains, I think again the problem there is the cost of running that kind of operation, but it does serve as an alternative.

Senator CLELAND. I am told that some 32 states, including my state, these states are currently investing in rail programs. Why? Because, as the State of Texas has found out, a study by the Texas Transportation Institute on traffic congestion concludes the solution does not lie in building more roads but rather in, "a diverse set of options that require funding commitments." Do you believe that the Rail–21 bill is one of those funding commitments that is needed?

Mr. DAYTON. We have not looked at the longer term provisions that would involve the freight railroads in part. We just have not done a lot of work in that area. We have tended to focus more on Amtrak. But it is true that many states see the rail corridors coming into their cities as an opportunity. It would not only carry higher speed Amtrak, or another intercity provider, but also commuter service into the cities, so it can help with the congestion of a through rail corridor. But in terms of how you achieve that, what mechanism you use, working with the freight railroads such as the RRIF program, we have not studied it directly.

Senator CLELAND. Well, you talk about cities. One of the impacts that revitalizing rail travel in America does is revitalize our cities, particularly our inner cities. In my state the Atlanta Multimodal Passenger Terminal that we are building there plans to sell actually air rights for private space above the new proposed rail-bus station, a perfect blend of public investment, private partnership, above the rail-bus multimodal terminal. Any idea how we can better attract the private sector to participate, and maybe further rail development?

Mr. DAYTON. I am sure Mr. Warrington can speak to that. He and his board members have been involved in discussions all around the country with mayors and Governors, but it is certainly true that Amtrak has invested in its rail stations. You can see this not only on the Northeast Corridor, places like Wilmington and New Haven, but also elsewhere in the country, as you say, with the multimodal facility, and it certainly can serve as a focus for both transportation and economic development.

Senator CLELAND. Thank you very much. Thank you, Mr. Chairman.

The CHAIRMAN. The Committee is indebted to both of you. We appreciate your appearance here, and the record will stay open for any further questions.

We now move to panel number 3, Mr. George Warrington, president and CEO of the National Railroad Passenger Corporation, Mr. Edward Hamberger, president and CEO of the Association of American Railroads, Mr. Frank Turner, president and CEO of American Shortline and Regional Railroad Association, and Mr. Edward Wytkind, executive director of the Transportation Trades Department.

Mr. Warrington and each of the witnesses, we welcome you to the Committee. We appreciate your patience, and as you can see,

with the limited time, let us file your full statements in the record and ask you to summarize it as you can.

STATEMENT OF GEORGE D. WARRINGTON, PRESIDENT AND CEO, AMTRAK

Mr. WARRINGTON. Thank you, Mr. Chairman. I would like to make a couple of comments.

It is very clear to me that there is a lot of intensity and passion around this subject, as there has been for 30 years, and we have worked very, very hard to try to make this business model work over the last number of years, and we have worked very, very hard to achieve that definition of self-sufficiency.

But I will also tell you that its ultimate success from the beginning has required every moon to align perfectly, and there are clearly forces, economic forces and other forces that are not always within our control, and we really do not have the margin here for error, and I think that this debate here today is absolutely critical. I know Senator McCain has called for this discussion and this debate for quite sometime here, and I really thank you, Mr. Chairman, for the opportunity to begin this debate.

I was very encouraged here this morning, listening to it, because this town, frankly, and all of us have sidestepped dealing with this fundamental issue for 30 years. I firmly believe that. We have worked very hard to work within the construct that was handed to us, and I respect that construct tremendously, but it is a very difficult construct to work within, because fundamentally we have a conflicting mission here, which I have spoken about over the last 6 or 8 months, and what we need is, frankly, the debate to end fairly quickly, and closure to be brought to the question about what this country expects Amtrak and intercity rail service to be, because we are challenged with trying to satisfy a classic commercial profit mission around self-sufficiency, and at the same time we are challenged to operate a national system, and I will tell you that that national system is in many places and in many ways a public service that we operate, not unlike essential air service to many underserved markets and communities across this country.

On the heels of September 11, and in the context of a clearly declining economy, the challenge is greater and greater for us, and I think the time is perfect, the time is right, to take up the concept of reauthorization, and through that discussion and debate, really define for the first time, help us define what our mission should be. Should it be around profitable commercial service? Should it be around a long distance train network that serves underserved communities, connects communities, provides for economic development, provides alternatives and choices for travelers in a congested aviation and highway mix of transportation services?

I welcome the debate. I will tell you that we have worked very hard, and towards the end of this year we will be able to better inform that debate about articulating very clearly and very honestly, much of this is about honesty, and much of this is about credibility, and I will tell you, I am very interested in being honest, and I am very interested in assuring that we are credible with respect to what the different pieces of this business are.

We need to be transparent about what the winners are and what the losers are, and what the costs are, both the operating costs and the capital costs of every part of this system that we run today, and what their potential is or is not as a commercial entity, and what their obligation might be as a public service or an essential service connecting communities around the Nation.

I will tell you that the concept of profits, and the concept of self-sufficiency, flies in the face of every developed and underdeveloped nation in the world. The only nation in this world where high-speed service, and it is only high-speed service, not conventional service, where high-speed service is actually profitable is the main service, high-speed service in Japan, and it is purely a function of the Japanese Government investing $6 billion a year in that individual corridor, number 1, and a population density per square mile of about 6,500 people.

Even in our most densely populated region in this country, the greater New York Metropolitan Region, we have got a population density of about 2,500 people per square mile.

So you have got a very unique situation in Japan, capital investment and extraordinary density of population that makes that service profitable. As a matter of fact, on the flip side of that, if you look at nations that are constructed much like the United States is, big, wide, expansive territories served by long distance train services, Amtrak actually performs financially better than those operations.

I would point you toward Australia, and I would point you to the Via Rail system in Canada, where you have got the same characteristics in play, a service that stretches across the nation, serving underserved markets with not extraordinary population density, and I will tell you, the business model and the economics services like that around the world, including in this country, are not ever going to be profitable, and will lose money, the list that Senator McCain shared with you earlier today.

It is true, I am not going to sit here and tell you that those trains have a potential to be profitable and to make money. We are running them as a public service, as a practical matter, number 1, to serve communities, and number 2, we are paying for them, as best as possible, by cross-subsidizing internally from our more successful operations.

What I am telling you also is that there are factors out of our control that is making even that task of cross-subsidizing internally that much more difficult, and on top of that we have never been effectively capitalized, as they have been in Japan, and as they have been in Europe, in order to give us a fighting chance to make even those unsuccessful services more successful.

Thank you very much for the opportunity.

The CHAIRMAN. You can continue on. You have got your fighting chance. If you have got some more to say, let's say it, because I think you are making sense.

[Laughter.]

Mr. WARRINGTON. Mr. Chairman, there are a lot of frustrated people about this question, very clearly, and I feel the intensity and the passion around this room, and I do not want to be either emotional, and I do not want to passionate.

This is about public policy, and I really believe we have all sidestepped the basic public policy question for a long, long time, and it is one that right now, in particular, as we look forward around congestion, aviation congestion, highway congestion, the events of September 11, the need for better choices and alternatives, opportunities to better stimulate economic development, investing in the rail system. I often say it is the most underutilized transportation asset this country has right now, and Ed can speak to that as well.

But the rail system, whether it is the freight rail system, the passenger rail system, or a better freight and passenger rail system, I firmly believe is the most underutilized transportation asset that this country has right now, and we need a business model that works around intercity passenger service, because the current model really does not work. It is an artificial construct, and I think there is extraordinary opportunity there.

I will tell you also that, I have said this before, and I will say it today, the concept of operating self-sufficiency, I think it was not, let me put it this way; Its construction is difficult to work within, given the multiple businesses we are in, so we have had to cross-subsidize internally.

I will be the first to tell you, though, that we do need a good metric, and a good measure, and a good standard against which we measure ourselves around success. The question is, what is success, and in fact the Senator earlier said, well, do any of these routes have a potential for success. It is all a matter of how we define success.

Is success effectively serving a public service responsibility, serving communities, serving underserved markets across this country, stimulating economic development around the train stations, Senator Lott, such as Mayor John Robert Smith has done in Meridian, Mississippi, so successfully around our Crescent train service? There are lots of other measures in this world for intercity train service, other than the bottom line.

The bottom line is not the appropriate measure. We need standards, we need metrics, we need to stick to them, but fundamentally, this is about what the public service responsibility is, and investment responsibility is in a quality and reliable intercity passenger rail system, and we have not come to grips with that question yet, and I really look forward to helping to inform that discussion about what is rational, what makes sense in this country around intercity rail service, and what we are doing is breaking the business down into its pieces so it is transparent, so we can all understand what those choices and opportunities are, what the potential is, and then we need to align capital and/or operating resources to fund it.

So I welcome the discussion. The sooner the better, quite frankly, so we can get on with focusing on really making a difference.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Warrington follows:]

PREPARED STATEMENT OF GEORGE D. WARRINGTON, PRESIDENT AND CEO, AMTRAK

Mr. Chairman, thank you for the invitation to appear before the Committee this morning. On behalf of our Board and our 25,000 employees, we thank you for your leadership on passenger rail issues. We are especially encouraged by this Commit-

tee's recent unanimous support of the Rail Security Act, S. 1550. This bill is critical to strengthening the security and safety of our national passenger rail system. We hope it can be enacted promptly.

I also appreciate the opportunity to address S. 1530, the Railroad Advancement and Infrastructure Law for the 21st Century, or "RAIL–21." The need to resolve the issues raised by RAIL–21 has never been greater than it is today. Indeed, we welcome this measure—and similar ones emerging in the House and from the Administration—as the first steps toward a comprehensive reexamination of our nation's passenger rail policy over the next several months.

As we go forward together, I believe we need to find common ground around two goals:

- The first goal must be to eliminate conflicting policy mandates and clearly define the role of intercity passenger rail in America's 21st Century transportation mix.
- The second goal is to be honest and straight about the operating and capital costs that are necessary to support the defined missions.

Our conflicting policy mandates are at the root of our problems. For 30 years, Amtrak's primary mission has been to maintain and operate a national network of passenger rail service. Our charter statute directs Amtrak to "*completely* develop the potential of modern rail transportation to meet the intercity and commuter needs of the United States." In 1997, Congress reaffirmed our national public service role, but it also added a requirement that we achieve operational self-sufficiency by December 2002.

Amtrak's Board, management, and employees have made serious, sustained efforts to achieve these objectives. For the past four years, we have been working hard to meet the self-sufficiency deadline *and* hold the national system together. But the practical effect is that we must cross-subsidize the unprofitable, public-service routes with revenues from profitable routes and other commercial activities. That leaves no money for reinvestment in the existing system, and it drives up operating costs because we are unable to modernize our plant, equipment, and technology.

It was difficult enough to reconcile the conflicting mandates and inadequate capital before September 11 and the downturn in the economy. Today, trying to meet both public service and commercial requirements is more difficult than ever before. With the economy contracting and public expectations about security and safety rising, the self-sufficiency deadline will force us to choose very soon between two evils:

- Meet the self-sufficiency requirement by taking on more debt, mortgaging assets and cutting back service severely;
- Or preserve the current system and increase security in the short run, risking a statutory process which, under the law as written, could lead to liquidation and which would paralyze us financially.

Either course would make more difficult the high-level policy choices that only Congress and the Administration should make. That is why we strongly support an early reauthorization effort.

Fortunately, the RAIL–21 bill shows a recognition that Congress and the Administration have workable options and a timely opportunity to resolve these dilemmas.

It is an opportunity to decide what America's intercity passenger rail system should become in the next 20 or 30 years. You may decide it should consist of profitable routes only. Or that it should also include the federally designated high-speed corridors. Or expand that to include long-distance routes through many important communities, large and small. Amtrak stands ready to inform this discussion. But only policy makers can define our mission.

Hand in hand with these choices, you must decide how the system is to be financed. Operating revenues cannot do the job alone. This means being specific and realistic about how much capital will be provided to support the various components and what the sources of funding will be. Should Amtrak cross-subsidize the public services that don't pay for themselves? Or should there be direct government support of these routes?

As I said a moment ago, we are eager to help inform the discussion, but the decisions must come from policy makers. In that regard, RAIL–21 is a solid basis for continuing the discussion, and we ask again for your assistance in bringing these issues to closure.

Mr. Chairman, when you introduced RAIL–21, you said:

"Nations around the globe invest in passenger rail service because it increases opportunities to travel and a nation's quality of life. Rail service reduces car conges-

tion and pollution. And we saw last month that during a national emergency, having a viable, operating national train system can be a strategic asset."

I think that hits the nail on the head. Passenger rail is not a solution to *all* our transportation problems, and we bring some challenges to the table. But we certainly face an extraordinary opportunity to guarantee greater freedom of movement—and other social and economic benefits—for a relatively modest price tag. Smart, strategic investments in rail will reduce traffic congestion, create jobs, and strengthen the foundations of our economy and mobility.

For 30 years, Amtrak has labored under the weight of a business model that does not work. It's time to fix the model. We must seize the opportunity to clearly and honestly define the role of passenger rail, and provide the policies and financial commitments to ensure we do it right—the way all of our economic competitors do.

Once again, Mr. Chairman, we appreciate your support and efforts to bring quick resolution to these critical national issues. We are ready to work with you and all Members of Congress to write a new chapter in the history of passenger rail in America.

I would be happy to take your questions.

Senator SMITH. Mr. Chairman, I wonder if Mr. Warrington can tell us, is there a model out there that he thinks works for us? The high-speed train in Japan—I do not know how they do their accounting—but they cannot make money if they have to account for capital, interest, all of those things. Europe cross-capitalization—I want to know how they do that. If they are making money, I would like to know how they are, but clearly, the public is picking up all of the capital assets and they are just accounting for profit based upon ticket sales with no overhead.

Mr. WARRINGTON. You are right, Senator. They are a beneficiary of decades of $5 to $6 billion a year invested in that train service.

Senator SMITH. So what we need, Mr. Chairman, is an accounting definition. We need to agree here on how it is Amtrak is going to account to us, because clearly we have not arrived at that, or some model whereby they can ever meet it. We are all talking about different ends here, and there is no agreement on the terms.

The CHAIRMAN. Well, many are trying to approach it from a profit and loss standpoint, and like I said in my opening comments, there is no such thing as a public passenger service that makes a profit in this world, and that is the impossible.

I would yield to Senator Lott here, because his time is valuable.

Senator LOTT. Would you allow me to make a couple of comments first? I want to thank all the witnesses you have here today, and thank you Mr. Chairman, for having this hearing. I am particularly interested in the testimony of this panel. Mr. Warrington has already done a good job, and I know the other three will, and I have worked with them over the years and know and respect them, and I remember when old Ed Hamberger had a real job.

[Laughter.]

Senator LOTT. He is out there in the private sector working for a really good organization, the Association of American Railroads.

I would just like to make a couple of points beyond that. I think the record is clear, I have been a supporter of the national rail passenger system, I have worked on the Amtrak bill we passed a few years ago, and I want us to succeed. I think Amtrak is a valuable service, but I also think you need to be fiscally responsible.

I think you have got to be able to use some innovative private sector ideas, and we tried to do that with that legislation we passed a few years ago. We wanted to be able to contract out privately and improve Amtrak's service. I wanted you to be able to wheel power,

but of course I got in a hornet's nest on that one with some of the electric companies. I want us to have a successful national rail passenger system.

I think in order to do that, though, we have got to give you the resources to be successful. That is where Senator McCain and I have been arguing back and forth for years.

I think we are going to have to look at the accounting principles, but I think you have also got to continue to be responsible. This is not going to be any bottomless pit of taxpayers' dollars. My attitude has been—and I have made this statement on the floor of the Senate, and some day I may have to live up to it—if you cannot make ends meet after we give you certain assistance, then we have got to make a decision, keep it going or shut it down. If it becomes an Eastern Seaboard system, I am not going to be voting for my constituents to pay for that.

So I wish you well. I have been supportive, and I am supportive of the high-speed rail infrastructure bond legislation we worked on last year. I am a cosponsor of the bill with Senator Daschle. I would like to get that out of the Finance Committee, but we want you to improve your ridership and reduce your costs.

We would like to be sure that you are secure. We have got to look at Amtrak security, as well as other rail activities. The trains that go right through the middle of my home town and along the entire Mississippi Gulf Coast are carrying chemicals and all kinds of things, and I would like to make sure those trains are secure and safe. Also I want to thank the folks that are here, the Shortline and Regional Railroad Association and others that have endorsed the legislation that Senator Kerry and I have introduced, S. 948, the Community Rail Line Relocation Assistance Act.

Mr. Chairman, I hope you will take a look at that very good piece of legislation. It is an effort to deal with a problem we have in America. In fact, 23 States now, and 40 cities, have situations where you have got the railroad line coming right through the heart of a city, which cuts it in two. It is a safety hazard, and it is an impediment to economic development, and it goes all the way from Freemont, California, to Columbia, South Carolina, to that blessed Biloxi–Pascagoula Mississippi area, and yet there is no way to deal with it.

The railroads said yes, we would like to get out of this, because we would like to quit being sued for actions where people are killed at railroad crossings, but we cannot afford to do it all by ourselves. The local governments say yes, we would like to be a party to this, but we cannot do it ourselves. The States say, we would like to help but we cannot, even under TEA–21. We could do this and we would like to help, but we do not have enough money to do that and build the roads and build the bridges we need.

The net result is that nobody does it. Therefore I think we need to authorize a program to bring all of those folks together, the States, counties, local governments, the railroad, and the private sector in general, to move these rail lines where they are cutting off towns and communities, and they are unsafe.

I talked about this a few years ago in Biloxi, Mississippi. I was talking to a civic club, and a guy there named Desport came up after the event and said that it sounds like a good idea, we prob-

ably need to try to make that happen. The next day, his son was killed on a railroad crossing in Biloxi, Mississippi, and he called me the next week and said, let me tell you what happened.

So I hope that the industry will actively support this bill. Mr. Chairman, I hope you will take a look at it. It is a part of the package we need to look at. Transportation is so critical to the economic future of this country, and I mean the whole package. I am talking about ships and ports, I am talking about railroads, airlines, and safe roads and bridges. It is an investment in the future that I think we should be prepared to make. I thank you for what you have already made and urge you to redouble your efforts and let us make Amtrak work for all of us.

The CHAIRMAN. And help us clear the rail security measure, because at least we can get that, and should get that before Thanksgiving.

Senator LOTT. If I could unilaterally make that decision—you know, that was 8 months ago.

[Laughter.]

Senator LOTT. I will try to be helpful.

The CHAIRMAN. What I will say is, it is cleared on this side. You get it cleared over there.

Senator LOTT. Okay, Mr. Chairman. We might work something out on this.

The CHAIRMAN. I am glad to work with you, because we have got to improve seaport, rail and airline security, and right now those efforts are hung up.

Senator LOTT. We need it in South Carolina and Mississippi, and I think we could work something out.

Thank you very much.

The CHAIRMAN. Thank you. Mr. Hamberger.

STATEMENT OF EDWARD R. HAMBERGER, PRESIDENT AND CEO, ASSOCIATION OF AMERICAN RAILROADS

Mr. HAMBERGER. Thank you, Mr. Chairman. Let me, just in case the Leader has to leave, indicate that the AAR certainly supports S. 948 as well. We think it has tremendous potential for affecting congestion and safety and local economic development, and we look forward to working with the Committee and with the Leader on that.

If I could, Mr. Chairman, before I get into my prepared remarks I would like to respond to a statement the FRA Administrator made on the previous panel. Without in any way detracting from the well-deserved reputation of the shortline industry for their commitment to service, that is, indeed, the hallmark of the shortline industry, I believe, and while recognizing and acknowledging that there have been service disruption in previous years, I would like to read into the record a statement in the press yesterday from United Parcel Service spokesman Norman Black.

"All the railroads right now are running about as well as they ever have", he said. They are meeting their delivery times, "almost 100 percent", and I would like to ask your permission, Mr. Chairman, to submit for the record other documentation regarding new service offerings that the class I freight railroads are making, both individually and on airline service, as well as statements from

other customers, industry observers, Wall Street analysts who have commented on the class I focus on service and on their ability to deliver on that focus.

The CHAIRMAN. That will be included.

[The Information referred to follows:]

SUPPLEMENTARY INFORMATION SUBMITTED BY EDWARD R. HAMBERGER, PRESIDENT AND CEO, ASSOCIATION OF AMERICAN RAILROADS

It is a fact of life in the rail industry that in addition to facing unrelenting competition, the service requirements of rail customers are continually becoming more stringent. Railroads recognize that service shortcomings have been a major factor behind shipper dissatisfaction in recent years, including shipper dissatisfaction that has manifest itself in calls for railroad reregulation.

I am happy to say, though, that railroads have made tremendous progress in the customer service area, and look forward to continuing those improvements as we move forward. Shippers and others recognize these improvements. For example, Canadian Pacific (CP) and Union Pacific (UP) were recently awarded the Gold Award by DaimlerChrysler for demonstrated quality, the creation of value, and for delivering on its commitment to a reduction in total costs. For UP, this award comes on top of its recent receipt of Toyota's top award for logistic services excellence. Last month, *Logistics Management and Distribution Report* announced that six railroads had won the magazine's annual "Readers' Choice" awards for excellence, up from two last year. The Burlington Northern and Santa Fe Railway (BNSF) was recently named Carrier of the Year by WalMart. In an April 2001 commentary in *Traffic World,* Phillip Yeager (founder and chairman of The Hub Group, North America's largest intermodal marketing company) said "The railroads have been innovative and aggressive . . . . Extensive capital investments in rail services and new terminal facilities . . . are generating results and will have positive long-term effects on the intermodal network and the volumes it can handle efficiently." Also in April, Wall Street's SalomonSmithBarney wrote, "[T]he North American rail industry finally appears to be "on track," heading toward a level of operational homeostasis not witnessed in the sector for nearly a decade . . . The railroads are improving service to levels not seen in several years." And in the spring, the president and CEO of Arch Coal (the nation's second largest coal company) said, "The rail system is running well. Railroads are offering great service and we have no complaints."

Indeed, one hears very little today of serious service problems on any major North American railroad. There may be isolated pockets here and there that have some problems (as one would expect on a rail network with so much trackage that it would circle the globe more than five times), but overall the U.S. freight rail system today is operating more fluidly than perhaps ever before. Merger-related service disruptions in both the west and the east are now a thing of the past, as the synergies and efficiencies that were the basis for the mergers in the first place are taking hold.

The railroads' aggressive customer outreach program has provided a productive environment for identifying service issues and formulating solutions. We view this effort as a continuing campaign. For example, a chemical customer symposium will be held on October 24, 2001 in Houston to allow the chemical community and railroads to exchange ideas and comments on transportation topics of mutual interest.

Indeed, nowadays it seems that hardly a week goes by without a major railroad announcing new alliances and customer service initiatives. Some examples from just over the most recent months include:

- BNSF expanded its premium guaranteed on-time intermodal service program to include 12 lanes connecting numerous major U.S. markets. BNSF began offering guaranteed intermodal service in May 2000. For each load that does not meet the scheduled availability time for customer pick-up, BNSF offers a 100-percent refund.
- Norfolk Southern (NS) and BNSF expanded a new seamless, non-stop coast-to-coast intermodal service begun earlier in the year for time-sensitive premium freight moving between Southern California and the East Coast. BNSF provides the line-haul service between Southern California and Chicago, while NS provides the line-haul service between Chicago and the East Coast. The new service is expected to decrease transit times between coasts by at least half a day and reduce cross-town drayage in Chicago.

- CSX and BNSF announced enhancements to their interline carload service through Chicago that improves transit time and service consistency for hundreds of customers. The enhancements eliminate handling in the congested Chicago area, thereby improving consistency and resulting in a transit time reduction of one to two days.
- UP and CSX added Philadelphia to their "Express Lane" service for perishable goods from selected points in California, Idaho, Washington, and Oregon to various points in the East and Southeast. The railroads will reimburse a portion of the shipping charge if the shipment does not arrive at its destination on time. Since the start of Express Lane service in April 2000, UP's and CSX's perishable shipments are up nearly 20 percent. One refrigerated rail car can transport as much as three over-the-road trucks.
- Kansas City Southern and I&M Rail Link (a regional railroad) announced a partnership to provide rapid run-through service between Shreveport, Louisiana and Davenport, Iowa, bypassing Kansas City and saving 48 hours of transit time on carload traffic.
- Canadian National (CN) and CSX introduced a range of new intermodal services connecting major Canadian and U.S. markets. The CN-CSX marketing agreement offers shippers using CN in Canada intermodal connections to major centers in the U.S. Northeast, including New York, Boston, and Philadelphia, with improved pricing response time and efficient interchange at the Chicago and Buffalo gateways.
- The cooperative arrangement under which CP uses CN's modern cross-border Samia tunnel in return for CN access to CP trackage in the northeastern United States has continued. CP gains sharply reduced transit times, more direct routings, and reduced congestion on other lines. CN gains more direct and quicker access to important U.S. markets. The big winners, of course, are CN's and CP's U.S. customers.

In addition to these and many other service offerings, railroads have embarked on major initiatives to embrace the Internet to improve customer service, reduce costs, and ease the burden of doing business with railroads. Most major railroads, for example, now offer comprehensive web-based car ordering, car tracing, pricing, and billing capabilities that are constantly being enhanced to better serve the shipping public. Just a few recent examples of other Web-based customer service offerings include:

- Earlier this year, most major North American railroads launched an alliance to create an online marketplace for the worldwide railroad industry that will allow firms to begin low-cost supply chain collaboration using only a Web browser. The goal of the initiative, dubbed RailMarketplace.com, is to create an open and neutral electronic exchange to link buyers and sellers across the North American rail industry. It will help participating railroads to reduce sourcing and transaction costs, reduce purchasing cycle times, and expand the number of available suppliers.
- UP announced the formation of a new logistics company that will use the Internet to track up to three million Chrysler vehicle shipments annually from assembly plants to dealers across North America. According to press reports, Chrysler expects improvements in process control, transportation planning, information flow and shipment visibility due to the initiative will lead to a 30 percent (3–4 day) reduction in vehicle delivery times within 12 months.
- BNSF announced a plan to offer guaranteed availability and placement of refrigerated boxcars through its Loading Origin Guarantees (LOGS) program. The LOGS Program, an online auction, was initially introduced by BNSF in January 2000 to enhance equipment efficiency for center beam railcars. It has since been expanded to include plain boxcars and now refrigerated boxcars. BNSF will guarantee the availability and placement of empty rail-owned or controlled refrigerated boxcars for the scheduled shipping period or pay a default payment.
- NS launched an Internet system that gives customers the ability to order rail cars for loading the following week or up to several weeks in advance. NS's new eCARS system is just one of a suite of Internet-based e-commerce applications the company has developed. All of them are designed to reduce costs, improve efficiency, and allow the railroad to serve it customers more reliably and cost-effectively.

Railroad innovations continue apace in the area of train operations as well. For example, in August 2001, CSX announced the development of a new locomotive operating system designed to significantly reduce locomotive fuel consumption and ni-

trous oxide (NOx) emissions. The new system incorporates an auxiliary power unit that automatically shuts down the main locomotive engine idle, while maintaining all vital main engine systems at greatly reduced fuel consumption. Like the Internet-based innovations noted above, enhancements in locomotive operations, equipment utilization, and other areas of rail operations help position railroads as efficient, cost-effective partners with their customers.

Meanwhile, work continues in Chicago on an industry-wide effort to improve service reliability in the densest rail area (1200 trains per day) in the nation. In April 1999, the railroads established the Chicago Planning Group to examine processes in place and recommend improvements. While further work remains to be done, the Group's efforts have already succeeded in greatly improving communication linkages and the information transmitted through them, making dispatching more efficient, reducing recrews, enhancing winter weather contingency plans, and more. Illustrations of the real difference this industry effort has produced include a 46 percent improvement in transit time and a 30 percent decrease in dwell time during winter weather; a 60 percent reduction in freight train interference with commuter train operations; and a 40 percent improvement in rail operating efficiency. In just the past three years, freight railroads have invested more than $635 million into capital projects and maintenance in the Chicago area.

These numerous examples of the intensive railroad efforts to improve their service underscore the fact that the vastly improved service performance experienced by railroads in recent times is not accidental. Instead, it is the result of these efforts by railroads, working with their customers and suppliers, to pursue enhancements necessary for the rail system to operate as efficiently, reliably, safely, and cost-effectively as possible. In many cases, railroads find that they must entirely reconstitute the service offerings from the "ground up" in order to effectively design reliability into the service.

Mr. HAMBERGER. Thank you, sir. Thank you for the opportunity to update the Committee on issues related to railroad security, and to discuss AAR's views on S. 1530. As I discussed in testimony with Chairman Breaux's Subcommittee on October 2, in the immediate aftermath of the attacks on September 11, railroads tightened security and intensified inspections across their systems. Since then, the industry has implemented numerous security enhancements.

The AAR now operates a 24-hour command center linked to federal and national security personnel, as well as to the 24-hour railroad operations centers, and I want to emphasize the importance of the accuracy and timing of the intelligence data. It allows us to allocate our resources, and I also want to emphasize that that is a two-way street.

Not only do we receive data from the intelligence community, but because of the enhanced safety and security briefings that our over 200,000 employees have received, they are on a heightened level of vigilance, and so they are viewed by the security agencies as 200,000 sets of eyes and ears to gather information and, as they see things that deserve reporting, we pass that back up the line to the FBI and others.

We have increased infrastructure protection through measures such as video surveillance and computer card access systems, we have restricted access to sensitive web-based systems, and certain trains have had their operations modified as appropriate. While the industry has already implemented a number of steps to enhance security, it has become increasingly clear through the work of the five critical action teams I discussed last month, authorized by the AAR board, that substantial additional costs will be incurred to continue operating the railroad safely.

Consequently, we believe it would be entirely appropriate for Congress to establish a freight rail security fund to reimburse railroads for certain expenditures necessary to meet the security needs

identified in a vulnerability assessment and security needs analysis.

The industry also believes it would be appropriate to provide railroads with liability limits for acts of terrorism similar to the relief provided airlines. Like many other industries, we are finding it impossible to purchase terrorism insurance, but unlike most other industries, we have a common carrier obligation that precludes us from exiting markets where there may be otherwise economically unacceptable levels of risk.

Turning to S. 1530, we support the increase in the amount of low interest loans available to railroads through the railroad rehabilitation improvement financing program, from $3.5 to $35 billion. This could help both shortline and class I railroads meet their capital requirements in the future.

We also fully support the Rail–21 provision that would provide $350 million annually for 3 years to help the non-class I railroads improve their infrastructure, meet the challenge of the 286,000 pound freight car, and consequently aid in the economic support of rural America.

Rail–21, of course, authorizes $50 million in matching grants annually for 3 years to assist in the development of high-speed rail in selected corridors throughout the country, and as this debate that has been going on so vigorously this morning—it has been a great public policy experience to sit here and watch it. Freight railroads have long expressed their willingness to cooperate in good faith in the extension and advancement of high-speed passenger service, but it must be understood that new passenger services should not, cannot compromise the operational efficiency, the economics, or the safety of the existing freight rail network.

If the goal of passenger rail service is to address environmental, energy, and congestion issues, I submit it is counterproductive if, in the process of moving people out of their cars into trains, we end up moving freight off those trains into trucks and back on those same highways we are trying to decongest.

Our privately owned freight railroad system is a tremendous national asset. The U.S. freight railroads move more freight more efficiently and at lower rates than anywhere else in the world. Indeed, our Nation's global economic supremacy is derived in large part from domestic transportation resources, all modes, that are second to none. Going forward, we must ensure that railroads remain capable of handling the increasing demands placed upon them.

Legislative changes such as rail retirement reform, repeal of the discriminatory 4.3 cent per gallon deficit reduction fuel tax, and enactment of S. 948, the Community Rail Line Relocation Assistance Act, would add greatly in this effort. So, too, Mr. Chairman, would the creation of a rail security fund and the enactment of provisions of your bill, Rail–21, providing funding for shortline railroads and expanding the RRIF program. The rail industry looks forward to working with you and the rest of the Committee on these critical issues.

Thank you.

[The prepared statement of Mr. Hamberger follows:]

PREPARED STATEMENT OF EDWARD R. HAMBERGER, PRESIDENT AND CEO, ASSOCIATION OF AMERICAN RAILROADS

On behalf of our members, thank you for the opportunity to meet with you today to update this Committee on issues related to railroad security and to discuss the Association of American Railroads' (AAR) views on S. 1530, The Railroad Advancement and Infrastructure Law of the 21st Century (RAIL–21). AAR member railroads account for the vast majority of rail mileage, employees, ton-miles, and revenue in Canada, Mexico, and the United States.

Rail Industry Security Actions

To begin, I would like to update you on what the U.S. freight railroad industry is doing to safeguard the nation's rail freight transport system in response to the September 11 terrorist assault, and suggest tangible ways that this Committee and others in Congress could assist in this critical effort.

Railroads are indispensable to the economic and physical well-being of our nation—they transport more than 40 percent of U.S. intercity freight, including approximately two-thirds of coal used by coal-fired power plants, some 70 percent of motor vehicles, huge amounts of grain and chemicals, and countless other commodities. In addition, the Department of Defense relies on freight railroads to move ordnance and supplies—in times of peace and in times of war. The Military Traffic Management Command (MTMC) has designated 30,000 miles of rail corridors—known as the Strategic Rail Corridor Network (STRACNET)—as essential to the national defense. The railroads maintain a close working relationship with the military to determine immediate and ongoing military traffic requirements and to identify capacity, security, and equipment needs of the industry to meet military demand.

Railroads are proud of the success they have achieved since September 11 in keeping our nation's vital rail-transport link open. Nevertheless, we know that terrorist actions against freight railroads could result in significant economic and military disruptions, and possibly even create serious public health risks.

As I discussed in testimony to this Committee on October 2, in the immediate aftermath of the attacks on September 11, railroads tightened security and intensified inspections across their systems. Since then, the rail industry has implemented numerous security enhancements. The AAR now operates a 24-hour command center linked to federal national security personnel and the railroads' operations centers. This linkage dramatically increases our access to intelligence information and our ability to share that information on a real-time basis with the railroads. I cannot overstate the importance of timely and accurate intelligence information to allow railroads to take appropriate action based on the level of threat.

Railroads have delineated graduated security procedures that can be implemented based upon the current level of threat, and railroad police are guarding certain critical infrastructure on a 24-hour basis. The industry has increased infrastructure protection through measures such as video surveillance and computer card access systems, and has restricted access to sensitive Web-based information systems. Certain shipments are now subject to increased surveillance and rerouting. And the industry is continuing to provide emergency response training to railroads, fire and police departments, emergency response officials, and other military and government officials.

Further, as detailed in my earlier testimony, the railroad industry established five Critical Action Teams to assess both short-term and long-term security needs in light of the increased threats to our nation. These teams are: information technology and communications, physical infrastructure, operational security, hazardous materials transport, and military preparedness. In consultation with outside counter-terrorism experts retained by the rail industry, these teams are making significant progress in evaluating threats to the rail system and in devising appropriate countermeasures.

Railroad Security Fund

The work of the Critical Action Teams and the analyses and actions taken to date will form the basis for additional measures the rail industry believes to be necessary to enhance the security of our nation's freight rail network. Indeed, while the rail industry has already implemented a number of steps to enhance security, the enormity of the challenge we face—and the substantial costs that will be incurred to continue operating the railroads safely—are now becoming clear.

In that regard, it has become evident that, to ensure that the American people are protected and that the nation's economic and military framework continues to function, a freight rail security fund should be established immediately. This fund would reimburse railroads for certain expenditures already incurred and those nec-

essary in the future to help meet the security needs identified in the vulnerability assessment and security needs analysis we are conducting in cooperation with federal authorities. These costs could include rerouting and special handling of certain hazardous materials; security and redundancy for critical communications and train control systems; investment in physical hardening of critical infrastructure; increased surveillance by security personnel; and research and development to support security needs.

Insurance and Liability Relief

Through no fault of its own, the railroad industry today is faced with an insurance crisis. As I noted on October 2, insurers have notified railroads that coverage of terrorist acts will soon be eliminated completely or drastically reduced, and premiums for remaining coverage will rise substantially.

Certain products that railroads carry are vital to personal health and our nation's economy but have the potential to be misused. Because of their importance in legitimate end uses, however, the transportation of these products cannot simply be halted without causing enormous harm. Moreover, as common carriers, railroads are required by statute to transport commodities tendered to them, including commodities classified as hazardous materials (a small percentage of which if subject to a terrorist incident have the potential for serious consequences). Thus, railroads cannot limit potential risks in the same way that firms in other industries can limit their risks. Yet without adequate insurance, the ability of railroads to continue to haul these products efficiently and cost effectively would be severely threatened.

Railroads recognize their own responsibility to obtain and pay for appropriate insurance coverage. However, because the circumstances facing railroads today are so extraordinary and because the potential costs associated with a major terrorist act could be so extreme, it is logical and appropriate for the federal government to assume the role of insurer of last resort. Consistent with the assistance provided airlines, the federal government should address the railroad insurance crisis by limiting the rail industry's liability for acts of terrorism. Railroads also endorse Congressional efforts to make insurance for acts of terrorism available on reasonable commercial terms.

It is worth emphasizing that the rail industry takes very seriously its responsibility to both continue to provide the critical transportation services our nation depends on, and to take actions necessary to safeguard the security of its employees, the communities it serves, and our nation.

RRIF Program Expansion

The AAR appreciates that RAIL–21 could help freight railroads make additional investments in service-enhancing infrastructure projects, while also providing critical funding to support passenger railroading in this country.

For example, the AAR is pleased that S. 1530, like H.R. 2950 (on which I testified to the House Committee on Transportation and Infrastructure on October 2), greatly increases—from $3.5 billion to $35 billion—the amount of low-interest loans and loan guarantees available to the railroad industry through the Railroad Rehabilitation and Improvement Financing (RRIF) program. This major expansion could help both short line and Class I railroads to continue to provide safe and efficient transportation service that enhances our nation's economic health and global competitiveness.

The AAR also strongly appreciates efforts in S. 1530 to countermand the existing regulatory barriers pertaining to RRIF program eligibility, particularly the lender of last resort provisions and the collateral requirements. Eliminating these excessive regulatory requirements will make the RRIF program more attractive to railroads of all sizes.

Short Line Railroad Capital Grant Program

Operating nearly 50,000 miles and employing more than 23,000 workers, the more than 550 non-Class I U.S. freight railroads play a vital role in our nation's rail freight transportation system—especially by connecting rural areas to the national rail network. However, the infrastructure of many of these smaller, lower density railroads cannot support the operation of the rapidly-increasing number of heavier rail cars that are required for railroads to offer competitive, economical service to their customers. Absent outside sources of funding, many of these smaller railroads will be unable to upgrade their lines. Eventually, many of these lines could be abandoned. If this happened, countless communities would be cut off from the national rail network, resulting in serious economic displacement, reduced transportation options for shippers, and significant harm to rural roads as traffic previously moving by rail was diverted to truck.

To this end, the AAR strongly supports the efforts of RAIL–21 to provide $350 million annually for three years to help smaller railroads rehabilitate, preserve, or improve their infrastructure; meet the challenge of "286,000-pound" cars; and aid in the economic support of rural America.

High-Speed Rail

RAIL–21 reauthorizes the Swift Rail Development Act and provides matching grants to assist in the development of high-speed rail in selected corridors throughout the country. The development of high-speed rail could help alleviate highway and airport congestion, decrease dependence on foreign oil, reduce pollution, and reduce injuries and fatalities associated with automobile and truck transportation. Freight railroads recognize these public benefits, and have long expressed their willingness to cooperate in good faith in the extension and advancement of high-speed passenger service.

Most proposals to expand passenger railroad service assume the ability to use existing freight railroad rights-of-way for that purpose. However, proponents of passenger rail of all types must understand that to arbitrarily superimpose passenger operations on the freight rail network without regard to its effects on freight railroad operations would compromise safety and hamstring the efficiency and financial health of the nation's freight delivery system. The goals of reducing pollution and highway congestion, and enhancing safety and energy efficiency, by expanding rail passenger service will not be realized if passenger trains interfere with freight service and force thousands of truckloads of freight back onto the highways. Therefore, public policy requires that passenger service not degrade the ability of freight railroads to serve their customers.

Moreover, it must be acknowledged that the expansion of high-speed passenger rail service throughout the United States presents genuine challenges. Among other things, in order to operate safely and effectively, high-speed passenger rail operations require the construction of separate, dedicated tracks and "sealed" corridors. To seal a corridor, grade crossings must be eliminated (either through closure or through the construction of highway underpasses or overpasses). These are exceedingly expensive undertakings and will require firm, continued commitments by the appropriate authorities if high-speed rail projects are to succeed.

Further, the AAR believes that sponsors of high-speed rail projects that desire to use existing freight railroad corridors should have to negotiate an arms-length, written agreement with the owning freight railroad before bonds to finance the project can be issued or other means of financing can be launched. The written agreement should cover terms of use of the freight corridor, including compensation for such use and liability issues, as well as assurances regarding the adequacy of infrastructure capacity to accommodate both existing and future freight and passenger operations.

Extension of Amtrak's Authorization

Throughout its history, Amtrak has faced recurring questions concerning its funding needs and the proper role it should play in our nation's transportation system. In a May 24, 2001, speech to the National Press Club, Amtrak President George Warrington asked, "If you're a public service provider, you go where the community need is; if you're a business, you go where the money is. But if you're Amtrak, which way do you go?" Mr. Warrington suggested that Congress should address several critical policy questions, among them, "What should the national intercity rail system be? . . . Should the system cover the costs of public services that don't pay for themselves? . . . And how much capital will be provided to support this system, and where will it come from?" He summed up Amtrak's dilemma when he told *The Wall Street Journal* earlier this year that "We tend to live hand to mouth, year to year, and it's no way to run a railroad."

I respectfully suggest that Mr. Warrington is correct when he says that this Committee and the Congress need to undertake a reflective, comprehensive debate on the role that Amtrak should play as part of our nation's intercity transportation system. When Amtrak's mission is clearly defined, Congress must be willing to commit resources commensurate with that role. For their part, freight railroads will continue to work cooperatively with Amtrak to help it fulfill its mission.

Finally, although it is not currently part of RAIL–21, the AAR supports efforts to provide financial assistance for local rail line relocation projects, as found in S. 948, the Community Rail Line Relocation Assistance Act of 2001. Relocation of existing rail lines in some areas may provide public benefits by improving the flow of motor vehicle traffic, enhancing safety, and contributing to economic development.

Conclusion

Our privately-owned freight railroad system is a tremendous national asset, essential to our nation's economy and defense. U.S. freight railroads move more freight, more efficiently, and at lower rates than anywhere else in the world. Indeed, our nation's global economic supremacy is derived in large part from transportation resources—including freight railroads—that are second to none.

Going forward, we must ensure that railroads remain capable of handling the increasing demands placed upon them. Railroads are committed to doing their part to enhance security, advance safety, improve service, maintain their infrastructure, and offer their customers reasonable rates. If railroads are to continue to provide safe, efficient, and cost-effective transportation service that enhances our nation's economic competitiveness and supports our national defense, the industry's massive capital needs must be met. Legislative changes such as railroad retirement reform (S. 697) and repeal of the discriminatory 4.3 cents per gallon deficit reduction fuel tax (part of S. 661) would aid greatly in this effort. So too would the creation of a rail security fund and the enactment of provisions of RAIL–21, including funding for short line railroads and the expansion of the RRIF program.

The rail industry looks forward to continuing to work with you to address these critical issues.

The CHAIRMAN. Mr. Turner.

STATEMENT OF FRANK TURNER, PRESIDENT AND CEO, AMERICAN SHORTLINE AND REGIONAL RAILROAD ASSOCIATION

Mr. TURNER. Thank you, Mr. Chairman. Our association, the American Shortline and Regional Railroad Association, represents approximately 500 class II and III railroads that together operate approximately 50,000 miles of track, or just under one-third of the Nation's route miles, but we generate only 9 percent of the railroad industry's gross revenues.

I want to thank you for introducing this legislation, for making rail transportation a subject of conversation as Congress considers the options for an economic stimulus package. As Mr. Hamberger just stated, our railroad system is a tremendous national asset. Railroads played a critical role in the Nation's transportation system before September 11, and may become even more important as we address other transportation issues in the future.

My primary interests are those of shortlines and regional railroads, and I would like to concentrate on portions of S. 1530 that relate to that portion of the industry. S. 1530 includes legislation previously introduced by Senator Breaux and cosponsored by a strong bipartisan group of Senators, including Senators Brownback, Durbin, Grassley, Schumer, Smith, Specter, and Wyden. The legislation provides, as Mr. Hamberger mentioned, $350 million per year for 3 years to rehabilitate shortline infrastructure.

The shortline industry is what keeps thousands of small shippers connected to the national rail mainline network. It does so over track that was very marginal in the class I system because it never generated enough traffic to justify sufficient and substantial capital investment. With a lower cost structure and more flexible service, shortline companies that purchased this track have been able to keep the lines going. However, our revenues are still not enough to make up forth past years of minimal maintenance.

Two factors combine to bring us to a situation today to a head, first, again as has been mentioned, the heavier 286,000-pound cars that are becoming the standard of the class I industry, and sec-

ondly, as class I's insist on premium speed and precise schedule operations, our segment of the industry must meet these higher standards or face being cut off from the national system.

Over a year ago, our association commissioned an assessment by a highly respected rail analytical firm called Zeta–Tech. That study found that of our 550 shortlines and regional railroads we needed basically $7 billion to upgrade their physical plant to allow for a safe and effective long-term operation under this new generation of heavier freight cars.

According to that study, 22 percent of all shortline rails must be replaced, and over half of our bridges must either be replaced or receive heavy repairs. The requested funding does not create a long-term program fix to this problem. It is a one-time infusion. In combination with the RRIF loan program, the funding provides the capital that would be needed to bring our infrastructure up to a level that reduces operating cost and helps us win back the traffic that we need to generate an investment in the future.

Keeping America's rural shippers connected to the national railroad system is important under any circumstances. Perhaps today it is even more important. The Federal Government is surveying all of America's railroads to determine the location of critical infrastructure assets such as bridges and tunnels, and how and where we move hazardous material near large population centers.

Today, America's entire transportation system is under duress, and we should be concerned that America's entire transportation infrastructure is up to the task. In the shortline instance, 20 percent of all of our customers ship hazardous materials over our lines. I suspect this number will go up.

Because the likely legislative vehicle for this funding is the economic stimulus package, I want to emphasize two points. First, money spent on capital programs can be spent immediately. Replacing ties and rails and rebuilding equipment is an ongoing process for our railroads. Engineering and planning has been done a long time ago.

Second, a large portion of this investment involves the purchase of rail. As mentioned, our $7 billion that is needed, $3.7 billion of this is for rail, and we all understand, I believe, the hard times of the steel industry, and our members have agreed that any new rail purchased will be wholly rail that has been rolled or manufactured in the United States.

Lastly, I would also like to endorse S.R. 948, that provides financial assistance for moving rail lines out of cities. It was introduced, as we heard, by Senator Lott and Senator Kerry, and we certainly support that. Railroad traffic mixes poorly with automobile traffic in many cities, creating congestion and raising many safety issues, and we would also like to see success with S. 948.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Turner follows:]

PREPARED STATEMENT OF FRANK TURNER, PRESIDENT AND CEO, AMERICAN SHORT LINE AND REGIONAL RAILROAD ASSOCIATION

Mr. Chairman and Members of the Committee, my name is Frank Turner and I am President of the American Short Line and Regional Railroad Association. I appreciate the opportunity to appear here today. ASLRRA represents approximately

500 Class II and III railroads that together operate approximately 50,000 miles of track, or just under one third of America's railroad route mileage.

Mr. Chairman, I want to start by thanking you for introducing this legislation and for making rail transportation a subject of conversation as Congress considers the options for economic stimulus. As Mr. Hamberger has said, our railroad system is a tremendous national asset. Railroads played a critical role in our nation's transportation system before September 11th and may become even more important as we address transportation issues in the future.

Because my primary interests are those of the short line and regional railroads I would like to concentrate on the portions of S. 1530 that relate to that portion of the industry. S. 1530 includes legislation previously introduced by Senator Breaux and co-sponsored by a strong bipartisan group of Senators including Senators Brownback, Durbin, Grassley, Schumer, Smith, Specter and Wyden. The legislation provides $350 million per year for three years to rehabilitate short line infrastructure.

The short line industry is what keeps thousands of small shippers connected to the national railroad main line network. It does so over track that was very marginal in the Class I system because it never generated enough traffic to justify sufficient investment. With a lower cost structure and more flexible service, short line companies that purchased this track have been able to keep the lines going. However, the revenue is still not high enough to make up for past years of neglect. Today, small railroads operate just under one third of the nation's total railroad miles, but these miles generate only 9 percent of the railroad industry's gross revenues.

Today, two factors have combined to bring this situation to a head. First, the advent of the heavier 286,000-pound cars that are becoming the standard of the Class I industry require substantially higher investment in the track. Second, as the Class I industry puts a greater premium on speed and precisely scheduled operations, the short line railroads must meet these higher standards or be cut off from the national system.

Over a year ago, ASLRRA commissioned an assessment by the highly respected rail analytical firm Zeta-Tech. That study found that our 550 short line and regional railroads need $6.86 billion to upgrade their physical plant to allow for safe and effective long term operation under the new generation of heavier freight cars. According to that study 22 percent of all short line rail must be replaced and over half of all short line bridges must either be replaced or receive heavy repairs.

The requested funding does not create a long-term program to fix this problem, but instead creates a one-time fix for this problem. In combination with the RRIF loan program, the funding provides the capital needed to bring our infrastructure up to a level that reduces operating costs and helps short lines win back the traffic needed to generate private investment in the future.

Keeping America's rural shippers connected to the national railroad system is important under any circumstances. Today it is even more important. The events of September 11th have caused major disruptions in all our transportation systems. As we sit here today, truckers are lined up for miles waiting for additional inspections and the federal government is surveying all of America's railroads to determine the location of critical infrastructure assets such as bridges and tunnels and how and where we move hazardous materials near large population centers. *Today, America's entire transportation infrastructure is under duress and we should be concerned that America's entire transportation infrastructure is up to the task.* In the short line industry, for instance, 20 percent of all of our customers ship hazardous materials over our lines. That number may well go up, as the nation's short lines become a way for hazardous material shippers to transport their product around heavily populated areas.

Because the likely legislative vehicle for this funding is the economic stimulus package, I want to emphasize two points. First, money spent on railroad capital programs can be spent immediately. Replacing rails and ties and rebuilding equipment is an on-going process for railroads. The engineering and the planning were done long ago. Unlike highways, we control our right-of-way and the timing of our traffic. To double or triple the number of rails and ties we install requires virtually no additional lead-time. Over the last two weeks we have surveyed our entire membership and found that together the short line railroads could spend over $400 million on infrastructure improvements in the next three months and over $1.2 billion in the next six months. Over 6,000 workers would be employed for the three-month period and nearly 9,500 workers would be employed for the six-month period. These jobs would be in addition to the railroad's in-house work forces.

Second, a large portion of this investment involves the purchase of rail and the short line members have agreed that they will purchase only US made rail with this money.

The money we are seeking in this legislation supplements the RRIF loan program. We applaud both the increased RRIF loan authority proposed in S. 1530 and the provisions that attempt to improve the program's regulatory regime. Those improvements will make the RRIF program easier to use and will speed up the infrastructure investment this program was intended to facilitate.

Finally, I want to make mention of S. 948, which provides financial assistance for moving rail lines out of city centers. This legislation was introduced by Senator Lott and Senator Kerry in May and the ASLRRA strongly endorses this legislation. Like the other items I have touched on today, this legislation addressed an important issue even before September 11th. Railroad traffic mixes poorly with automobile traffic in many city centers, creating congestion problems and raising safety issues. Since September 11th, there is increasing emphasis on how we move traffic, particularly hazardous materials away from highly populated areas. Senator Lott's legislation would be an appropriate and important step in addressing that issue, and I would urge the Committee to include that legislation in the final stimulus package.

The CHAIRMAN. Thank you. Mr. Wytkind.

STATEMENT OF EDWARD WYTKIND, EXECUTIVE DIRECTOR, TRANSPORTATION TRADES DEPARTMENT, AFL-CIO

Mr. WYTKIND. Thank you, Mr. Chairman, Members of the Committee. I am pleased to appear on behalf of 33 transportation unions who are affiliated with the Transportation Trades Department, especially the 12 railroad unions that represent most of the 20,000 workers at Amtrak and the 200,000-plus in the freight rail industry.

I want to thank you, Mr. Chairman, for your work on transportation security and, in particular, you have gone out of your way to ensure that our input, the input of the employees in this industry, have been at the table front and center to make sure that, as you assess security and vulnerability issues in this industry, that we are a part of that process.

The horrific attacks on this country that occurred have really brought us to an important point in time in dealing with security enhancements and, of course, the sagging economy that we are all struggling to address. We must dedicate ourselves to expanding the transportation system and making sure it is prepared for the security vulnerabilities that it is now facing as a result of September 11, and to prevent further dislocations in the economy and breaches in the system as far as security is concerned.

We support most of the principles, if not all embodied in your legislation S. 1530. We also believe the Senate needs to act quickly on a robust transportation stimulus package that addresses not only security issues but investment issues such as those you have been posing, Mr. Chairman, and the homeland security proposals that your colleagues, Senator Robert C. Byrd, and Senator Harry Reid have also been proposing.

We have been working very hard to make Rail–21 a success. We have worked to ensure that workers are treated fairly in this legislation, and to make sure that investments in rail security are adequate to meet the Nation's needs. We will continue to address the issues of importance to railroad workers to protect their jobs and rights and their retirement security.

Rail workers also need security protections on the job, which I will not take the time of the Committee now to discuss, but we

want to be able to bring to you in detail some of the issues that many of our railroad unions have been addressing on the job, where they see the vulnerabilities for their members.

Let me just say that I think, I have worked with Ed Hamberger for many years, but freight rail management, from reports I am receiving, needs to do a better job of communicating with the employees and, of course, their railroad union representatives, as all these new security directives are being implemented, both unilaterally and by our Government.

We also need Congress at this important time in our history to deal with rail security and safety issues in the context of a rail safety authorization. We think that railroad industry attempts in the past to stonewall rail safety reauthorization needs to be set aside in the interest of the country and the interest of safety on our transportation system.

Now, on this point we agree wholeheartedly with the railroad industry. We do need to pass and enact the rail retirement legislation which now enjoys the support of more than 80 Senators.

Rail–21 represents an important step in the history and the future of Amtrak. We endorse the funding mechanisms in your legislation, as long as it is appropriate protections from employees are applied, and we have been communicating that to your staff.

Access to funding will allow for important enhancements in security, high-speed rail development, and upgrades in technology. We will work tirelessly to ensure adequate long-term investments in passenger rail and Amtrak, but in a manner that upholds the values and the rights of the working men and women who we believe form the backbone of the rail system.

I might add, we do not agree with the freight rail industry's call for repeal of the 4.3 cent fuel tax. We think the call for that tax rollback is inappropriate, and especially so, given the many unmet needs of this industry's employees, this industry's security needs, and the country's transportation needs.

As we witnessed in the days and weeks after September 11, Amtrak filled a huge void left behind by the grounding of all air operations. Despite its precarious state, as Mr. Warrington has stated, they have added more cars and service, they honored stranded airline passengers' tickets, they stretched their resources and, of course, they implemented, without any additional assistance, security enhancements both for passengers and employees, and we appreciate that.

Never has Amtrak's value been so clear as it is today. It is at a crossroads, as we well know. We ask a lot of our passenger rail system, Amtrak. It must be all things to all people, yet we do not provide it with the resources it needs to thrive and, frankly, to survive. We have seen the results of underinvestment in Amtrak, delayed maintenance, deferred procurement of trains and equipment and new services across the country and, of course, dilapidated bridges and tunnels, and lastly, the wages of employees have suffered, as they now continue to be the lowest paid in the railroad industry.

We have long supported funding in transportation like TEA–21 and AIR–21. We have always supported a balanced approach to transportation, but at the same time, these record investments that

these bills brought forward have again underscored the fact that we continue to underinvest in Amtrak and in the security needs of passenger rail.

That is why we commend you, Mr. Chairman, and others on this Committee for finally calling self-sufficiency what it is. It is a charade. It needs to be eliminated. The whole idea that we can run a publicly financed, publicly run transportation system for passengers under a self-sufficiency mandate is not only arbitrary, but it is absolutely unrealistic, and it is not done anywhere else in the world.

We are also concerned that that self-sufficiency trigger, combined with what we think is a very sinister agenda of the majority at the Amtrak Reform Council, threatens Amtrak and its workers and passenger rail service, and it threatens to bring this whole situation into an economic downward spiral that may not be retrievable. We applaud Rail–21's rejection of self-sufficiency, and will work with you to get that accomplished.

I also want to associate myself with the comments of Senator Fitzgerald, who I know is not here any more, but we agree that at a time when Amtrak continues to face far too much criticism, the House is poised to vote on a piece of legislation that would shore up the financial difficulties being faced by airline CEO's as a result of the airline bail-out bill. We find that grab to be outrageous, and we hope that the Senate will reject it, should the House adopt it.

We strongly endorse emergency security authorization for Amtrak and commend you, Mr. Chairman and this Committee, for acting so quickly and just hope, as you said earlier, that they move on that very quickly.

Lastly, I just want to say that these are very important times for our country. Amtrak is truly at a crossroads. Its 20,000 workers are committed to making Amtrak a success, but you need to give Amtrak the tools and the resources it needs to accomplish what it can accomplish for the country, and we look forward to making that happen with you.

Thank you.

[The prepared statement of Mr. Wytkind follows:]

PREPARED STATEMENT OF EDWARD WYTKIND, EXECUTIVE DIRECTOR, TRANSPORTATION TRADES DEPARTMENT, AFL-CIO

Mr. Chairman and Members of the Committee, my name is Edward Wytkind. I am the Executive Director of the Transportation Trades Department, AFL-CIO (TTD), which consists of 33 affiliated unions across the entire transportation industry, including the 12 rail unions that make up our Rail Labor Division.[1] We appreciate this opportunity to appear before you on behalf of transportation workers and, specifically, to bring to this Committee the perspective of rail employees across the nation, including the 20,000 dedicated men and women who operate, maintain and build Amtrak's national passenger rail system.

First, Mr. Chairman, let me take this opportunity to thank you for your leadership on the broader issue of transportation security. Since the tragic events of Sep-

[1] As part of our 33 member organization, the following unions belong to our Rail Labor Division: American Train Dispatchers Department; Brotherhood of Locomotive Engineers; Brotherhood of Maintenance of Way Employes; Brotherhood of Railroad Signalmen; Hotel Employees and Restaurant Employees Union; International Association of Machinists and Aerospace Workers; International Brotherhood of Boilermakers, Blacksmiths, Forgers and Helpers; International Brotherhood of Electrical Workers; National Conference of Firemen & Oilers/SEIU; Sheet Metal Workers International Association; Transportation • Communications International Union; and Transport Workers Union of America.

tember 11, the security and vulnerability of our nation's transportation system has received much attention, and rightfully so. Transportation labor appreciates this Committee's efforts to address security issues across all the modes of transportation and we are pleased to be part of the deliberation today about rail security and the future of our rail system.

As we move forward as a nation to respond forcefully to the horrific terrorist attacks carried out through our transportation system, we believe that now is the time to address not only critical security enhancements, but the nation's economic needs in the aftermath of September 11. As part of that effort we must dedicate ourselves to rehabilitating and expanding the nation's transportation system to prevent future dislocations to our economy and security.

We believe that several of the principles embodied in S. 1530, the Rail Advancement and Infrastructure Law of the 21st Century (RAIL–21), are important steps in that direction. The leaders of transportation labor who serve as members of our Executive Committee also believe that it is imperative to include robust transportation investments in any stimulus package passed by the Senate (see attached policy statement).

Mr. Chairman, transportation labor and the building and construction trades unions have worked with your staff to offer input on RAIL–21 and we want to continue that dialogue to advance a bill that both ensures that workers are treated fairly and provides important investments in rail infrastructure and security. We hope that we can continue to work together during the committee process and as this bill moves to the Senate floor to address issues that are of importance to rail workers including the need to protect their jobs and rights, and their retirement security.

RAIL–21 represents not only an important investment in Amtrak as we know it today, but also in the Amtrak of tomorrow which we envision as a highly integrated system of high speed rail transportation. We also endorse the concept of increasing the authorizations for direct loans, loan guarantees and matching grants as long as appropriate prevailing wage laws, retirement security laws and rail worker protections are applied accordingly. Access to such funding will allow for rail security enhancements, high speed rail development, new technology and upgrades at Amtrak and on freight lines and the acquisition of rolling stock. Overall, we will work tirelessly to ensure adequate long-term investments in America's rail needs, but in a manner that upholds the values and rights of the working men and women who form the backbone of the system.

I should also add that we applaud the bipartisan efforts of both you, Mr. Chairman, and Ranking Member Senator McCain, for reporting out of this Committee an emergency security package for Amtrak. It is our understanding that legislation could be included as part of a port security package as early as this week. We believe the federal investments in system-wide security upgrades and critical capital improvements for Amtrak are essential initial elements in security enhancements in our national surface transportation system. We must not permit Amtrak's well documented security vulnerabilities to go unchecked a day longer.

Mr. Chairman, let me speak to the provisions in your bill that directly deal with our nation's passenger rail carrier. As we witnessed in the days and weeks after September 11, Amtrak played an indispensable role in filling the void left behind by the grounding of all air operations. And once the airlines resumed operations, Amtrak continued to provide vital transportation services as travelers returned to flying slowly in light of well publicized aviation security risks. In the end, despite its precarious financial state, Amtrak stepped up to the challenge by adding more cars and service, honoring stranded airline passengers' tickets, and stretching its resources to implement new security systems throughout its network.

Amtrak has always been an integral part of our transportation system. Never has that been so clear as it is now. However, Amtrak is at a crossroads. As this Committee well knows, we ask much of our passenger rail system. It must be all things to all people, yet we do not provide it with the resources it needs just to survive. For too long, the debate in this town about Amtrak has been about the passenger carrier's survival. The fact is that Amtrak has been forced to struggle with inadequate and unreliable resources, forcing it to direct its attention to survival rather than improvement and expansion.

We've all seen the results of under investment in Amtrak: delayed maintenance, deferred procurement of trains and equipment, eliminated jobs, cuts in wages and declines in quality of service. For the employees of Amtrak, this has meant fewer jobs in a less desirable environment with wages well below those paid to workers in the commuter and freight sectors. However, Amtrak employees have remained dedicated to the promise of a brighter future for Amtrak and today continue to form the backbone of this national passenger rail operation.

Improvements in Amtrak, indeed the continued viability of Amtrak itself, would not be but for the consistent dedication of Amtrak's 20,000 employees. Year after year, Amtrak employees have taken the brunt of Amtrak's financial hardships. As a result of the sacrifices Amtrak workers have made in the form of real wage and benefit concessions, Amtrak has continued to capture a significant percentage of revenue from the fare box. Yet, many Amtrak workers remain the lowest paid in the industry. And if Amtrak is to prosper as a viable transportation option, it is critical that its workers be treated fairly not only by management, but by policymakers and others involved with passenger rail service. Workers and their unions must be seen as partners in the goal of providing safe, dependable national passenger rail service.

We have long supported a balanced federal transportation investment policy that provides federal assistance to all modes of transportation. That is why transportation unions in every sector have joined together with their building trades union counterparts to push for investment in mass transit, highway, Amtrak, aviation, port and maritime programs. In other words, transportation labor has been out front, year after year, working with Congress on a bipartisan basis to make the case for expanded investments in the nation's transportation needs.

That is one reason why Congress has successfully escalated the pace of transportation investment in recent years, culminating in enactment of the Transportation Equity Act for the 21st Century (TEA–21) and the Aviation Investment and Reform Act for the 21st Century (AIR–21). These landmark transportation bills made significant down payments in meeting America's transit, highway and aviation needs. At the same time, these record investments have served as a reminder that our passenger rail system is not receiving realistic financing levels that match the nation's growing expectations for Amtrak as a truly national passenger railroad.

That is why we commend you, Mr. Chairman, for your commitment to change the tone of the debate over passenger rail. We appreciate your leadership in providing Amtrak with the resources it needs, in expanding investment opportunities for high speed rail and in ending the charade called operational "self-sufficiency." We are especially pleased that RAIL–21 eliminates Amtrak's operating self-sufficiency requirement. This artificially imposed mandate for financial self-sufficiency threatens to derail Amtrak's recent progress. Operational self-sufficiency is the wrong answer for Amtrak.

Since its inception, Amtrak has fulfilled an important passenger service need. It is, therefore, in the public interest to ensure that Amtrak has the resources it needs to remain a reliable and sustainable part of the nation's multi-modal national transportation network. Yet Amtrak continues to carry out a specific congressional mandate to serve the nation's passenger rail needs but must do so with a budget that falls well short of meeting its needs. We applaud the provisions in RAIL–21 that reject the idea of a subsidy-free Amtrak, and we maintain that public capital funding of Amtrak should remain a long-term, national priority consistent with the nation's broader transportation priorities which we have long supported.

We strongly endorse the emergency security authorization for Amtrak provided in RAIL–21. This $3.2 billion infusion will enable Amtrak to immediately increase security by adding new security personnel, surveillance capabilities, fencing and lighting, and by accelerating long overdue improvements to century-old tunnels on the Northeast Corridor and essential capacity enhancements throughout the entire system. While we believe that emergency spending for Amtrak is not only warranted but essential, we also urge this Committee to commit in the long-term the resources needed for Amtrak to thrive into the future.

Mr. Chairman, if we are serious about maintaining America's status as the world's leader in transportation, we must tap into the potential of Amtrak and our entire rail system. This underachieving sector of our transportation system must be allowed to achieve great things at a time of great need for our country. Through these critically important investments in the security of rail and, specifically, Amtrak, we will not only address in a meaningful way the security vulnerabilities existing today in our surface transportation system, but in the long-term we will enhance the safety and viability of our national transportation system at a time of tremendous need.

We appreciate your efforts on RAIL–21, and we look forward to working with you to advance the principles embodied in this legislation to create a better Amtrak and a safer more secure workplace for America's rail workers.

Thank you for your consideration of our views.

The CHAIRMAN. Thank you very much. There is no question that you folks have given very valuable testimony here to the pending measure. It is quite to the point. You have got to decide whether

or not you are going to have a national rail transportation service in the country. If you are going to approach the question believing passenger rail is going to make a profit, with winners and losers, and start measuring it that way, then you are not going to get anywhere. It is not going to happen. It is just not going to happen.

Yes, we have to be very careful and conservative, and just not throw money away. We have got to have good people like Mr. Warrington in there and trust them, and audit them, and see where there is waste, or where there are chances to save money or to expand service. But the basic question is whether or not we are going to have a national rail system for passengers in America, and obviously I forced this particular hearing because I believe in it.

Many Senators are interested in electric power, and the building of dams. I have got water coming out of my ears where I live. Why should I support federal funding to build a dam to get water down to the Southwest and divert rivers and everything else? Because it is in the national interest. The same with electric power and everything else of that kind.

It is a disgrace to not have a national rail system, and as far as money, I tried to save our taxpayers 40 billion. Their $600 tax rebate is not going to stimulate anything. I put in a bill to repeal it because I had put in the bill to provide it. I got three votes. I can show you all kinds of savings we could generate. Right now, we are going to be throwing money around for so-called tax cuts.

We ended last month, the end of fiscal year 2001, we ended with a $133 billion deficit. I wish the media would report the truth. I will show them the figures from the Department of Treasurey. It is not a surplus. All these records of the deficit going down, and reports of the surplus, there never has been a surplus since Lyndon Johnson in 1968–1969. The year before was $23.6 billion deficit, not a surplus, and 133 billion just last month.

Already this year the deficit has increased. The Government has gone into the red to the tune of 15 billion, and we have not gotten any stimulus bill going. We have not put the monies up for agriculture, defense, education, and all the other things we are going to fund. We have not had the impact of the $15 billion we already voted for the airlines. So mark it down, as of November 1, we announced that this particular Committee, that the deficit for fiscal year 2002 will exceed $300 billion, so we have got plenty of stimulus.

What we really need to be doing is getting into the security needs and the domestic homeland security, the airline security, rail security, seaport security, vaccines, public health, back at the State level.

We have got $20 or $25 billion in unemployment compensation. We have got to get that in, health care, Mr. Wytkind, we have got to get that in. We have got about $25, maybe $30 billion, but not $75 or $100 billion in tax cuts and that kind of nonsense and call it stimulus. It is an unconscientious raid on the Treasury, and people ought to be ashamed to be even calling that a stimulus. It is not going to stimulate anything.

So you folks gave us the best testimony as to what we need in the country. Is there any particular comment or improvement that you can make to S. 1530? That is what we are looking for. Does

anybody say that there is something really wrong in this bill, or something that we really should include, or not include?

Mr. WYTKIND. I might, Mr. Chairman, very briefly, as we said, we are strongly in support of this legislation, but want to be sure that before it becomes law, that basic employee rights, both for railroad workers and the protections they have always had in the law, as well as, of course, prevailing wage protections, which we have always fought for, together with the building and construction trades labor movement, is included in the legislation. As all federal financing mechanisms passed by Congress for the last 50 years have always included, so that would be the only point I would raise, but substantively what you have done here is something that we are going to very vigorously get behind.

The CHAIRMAN. Very good. Anyone else?

Senator Cleland.

Senator CLELAND. Thank you very much, Mr. Chairman. I thank our panelists. I stayed because I wanted to give a kudo to Mr. Warrington.

Thank you for hanging in there and fighting this fight, for taking the slings and arrows of outrageous fortune, and particularly some in this Committee. Thank you for just hanging in there with your basic position that we need a system here in this country, an intercity rail system, a high-speed rail system, and that that is what will help stimulate our economy, aid our national security, ease congestion, and in many ways be part of the solution to so many challenges we face, so thank you for hanging in there.

Mr. Wytkind, thank you for your emphasis and expertise in terms of understanding that the best economic recovery move, one of the best economic recovery moves we could make is to invest in our infrastructure.

When I was in college, I learned that there was at least a three to five multiplier effect for every federal dollar spent on infrastructure, so if we were of a mind to dramatically involve ourselves in partnership with our states, and I mentioned earlier that 32 states are already moving in this direction, my state included. We could do a lot to ease the burden of our economy, our economic struggles, employ people, move freight and people, and otherwise help our country.,

I think since September 11 we are in a new era here. We have a war abroad, and a war in terms of homeland security here, and a third war, a war fighting to regain our economic strength. I think in all of those three wars, revitalizing our rail infrastructure helps us win. It helps us be successful, and so I think it is a much broader question than just one or two Senate bills. I think it has to do with the future of the country, and with what kind of society we want to build.

I will say that in my own home state I look back and for most of the 19th Century, beginning in the 1830's, my state, without federal assistance, invested in rail, the first major public project in the history of my state was in the 1830's, and it was called the Georgia Railroad.

Why did they build a Georgia railroad? For all the reasons we would expand railroad infrastructure today, all the same reasons, and my little home town was one of many that grew upon that rail-

road, and that town still exists, and the railroad still goes through that town today. It used to move people as well as freight. Now it just moves freight. So many little towns have died along the way.

We had the interstate system, which was a positive thing, and economic development went toward that throughout our state. You can look at the interstate system, and it is the economic spinal column of growth in Georgia, the same thing with so many states in our country.

I cannot help but think that if we boosted the rail infrastructure, freight and passenger, in this country we would spark economic growth in areas of our country we have abandoned and forgotten about. We would have a rebirth of employment of opportunity, of travel and trade and tourism like unto which we cannot even imagine, so I this is a key question for our country, for our economy, for our national security, and that is one reason why I am proud to be an original cosponsor of both the pieces of legislation we are talking about.

Thank you, Mr. Chairman.

The CHAIRMAN. You are right on target. I just have to comment, with you talking about the effort in Georgia, the first railroad in all of America was from Charleston to Hamburg, Charleston, South Carolina to Hamburg, now known as Augusta, Georgia.

Senator CLELAND. And the Georgia Railroad was built to connect with your great state from Atlanta to Augusta.

The CHAIRMAN. We have to continue the leadership. I think there is one good change. We could change the title of your and my bill here to the National Defense Rail Act.

[Laughter.]

The CHAIRMAN. Thank you, all four of you here, for your patience and understanding. The record will stay open for questions. The Committee will be in recess subject to the call of the chair.

[Whereupon, at 12:00 noon, the Committee adjourned.]

APPENDIX

PREPARED STATEMENT OF ROSS B. CAPON, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

Thank you for the opportunity to present this information. Our non-partisan organization has worked since 1967 in support of more and better passenger trains of all types in the U. S.

Mr. Chairman, thank you for all of your work on behalf of intercity passenger rail. We appreciate the strong initiative on your part that S. 1530 represents. Thank you for incorporating the $3.2 billion emergency funding for Amtrak. One element that this could fund is of particular interest to our board members: the ability at a modest cost to restore to service many modern Amtrak cars now awaiting repairs.

I. Success Stories

For the **Amtrak system as a whole,** FY 2001 saw ridership rise to a record 23.5 million; this was the fifth straight year in which ridership grew. Similarly, travel, measured in passenger-miles (one passenger traveling one mile), rose for the fifth straight year, to 5.56 billion. (The latter figure is not a record, due to reductions in the size of Amtrak's long-distance network.)

In October, the first full month following the terrorist attacks, ridership was down 1%, while the Air Transport Association reported domestic passenger boardings fell 22%. These numbers imply growth in Amtrak's market share. Acela Express/Metroliner ridership was up substantially. Sleeping-car demand also was strong, though ridership in this category fell because of capacity reductions (vs. 2000) and because rooms occupied last year by couples traveling on discount fares often were

replaced this year with single business travelers paying higher fares. The *Pacific Surfliner* service in southern California posted its highest October ridership in eight years.

Below I discuss several (but not all) of the success stories that have resulted from Amtrak/state/railroad partnerships. Some critics of Amtrak and the current structure suggest that all of these accomplishments could have happened without Amtrak. That is speculation. What is clear is that these accomplishments were a product of the existing structure, including the law that gives Amtrak access to the freight railroads under specific terms. It should be equally obvious that the key to the future success of passenger rail under any structure is adequate funding.

California

The improvements described below reflect an extraordinary commitment by the State of California and its localities, and their superb partnership with Amtrak and the freight railroads (which own much of the trackage). The state has invested in rolling stock, stations and track improvements, including track capacity enhancements. Freight operations also benefited from much of this work.

A superb feeder-bus network enhances ridership on the California corridors. This network includes not only the heavily traveled Bakersfield-Los Angeles link but also a dense network of connections to many smaller markets. When Amtrak began in 1971, California corridor service consisted of just three Los Angeles-San Diego roundtrips. Today, there are 25 intercity roundtrips (11 *Surfliner*, five *San Joaquin*, and nine *Capitol*). On the commuter-rail side, the southern California network has grown from a single round-trip in 1990 to a significant network that includes about 2.5 million annual trips on the Los Angeles-San Diego segment alone. There has also been significant commuter-rail growth in the Bay Area.

On the **Capitol Corridor** linking Sacramento with the Bay Area, ridership grew 193% from 366,800 in FY 1994 to 1,073,400 in FY 2001. This is all the more impressive when one considers that this service only started in 1991. Again, increased frequencies and more modern equipment have been crucial. The number of daily round-trips on the main segment (Sacramento-Oakland) grew from three in the May 1994, timetable to nine in the September 2001, timetable.

On the **San Joaquin Corridor** between Bakersfield (bus connections to southern California) and Oakland/Sacramento, ridership grew 28% from 554,500 in FY 1994 to 712,100 in FY 2001.

The **Pacific Surfliner** route (San Diego-Los Angeles-Santa Barbara) had 1,716,400 riders in FY 2001, up 5% from the FY 1994 level of 1,629,300. However, Amtrak figures tell only part of the story of the growth in rail usage on this line. First, we understand that overcrowding mainly on weekends has created situations where many tickets were not collected and thus riders not counted.

More importantly, county-sponsored commuter rail operations which did not even exist on the line before 1990 have grown dramatically and now account for about 2.6 million riders a year. Starting with a single, Orange-County-sponsored, Amtrak-operated Los Angeles-San Juan Capistrano rush-hour train April 30, 1990 (extended to Oceanside in May, 1994), commuter rail serving the Amtrak stations plus additional stations mushroomed into the huge Metrolink operation of today. February 27, 1995, saw start-up of the "Coaster" service on the southern end of the line (San Diego-Oceanside). Coaster ridership in 1999 was 1.2 million and last year daily ridership on Metrolink's Orange County line was 5,670 (roughly 1.4 million a year).

New York

The **Empire Corridor** in New York has become solidly established even among business travelers, although achieving significant market share west of Albany obviously will require faster service, increased frequencies and reduced fares. For Albany businesspeople going to New York City, the train is by far the first choice. Overall, Empire Corridor ridership was 1,071,400 in 1994 and 1,093,600 in fiscal 2001. Amtrak deserves credit for adding frequencies, which is a factor in the ridership growth.

The State of New York has committed over $100 million for service upgrades including refurbishing seven turboliner train sets, double-tracking the 17-mile bottleneck between Albany and Schenectady, and raising top speeds to 125 mph on part of the route south of Albany. The state is currently developing a master plan for specific improvements and is involving all users of the tracks in the process.

Unfortunately, three years after Gov. Pataki announced $185 million program shared equally by Amtrak and the State, no results are visible. The chief problem now is the failure of the state to enact tax relief for New York's extraordinarily high and discriminatory rail property tax. Understandably, CSX will not allow passenger improvements to their line that increase its value and their property tax burden.

Legal efforts aimed toward tax reform by CSX and other Class One lines are underway, but could take years to proceed through the courts.

The Empire Corridor desperately needs additional equipment. New York State funded refurbished turboliners could provide this. Despite being displayed since August 2000, the New York State Department of Transportation still has no current date for their possible introduction for revenue service. Engineering design defects and the need for numerous modifications continue to be addressed slowly by the manufacturer, Super Steel Schenectady.

North Carolina

North Carolina has mounted a solid program that includes sponsoring two passenger trains, highway/railroad grade crossing improvements, intermodal terminal development and plans for significant track improvements and speed reductions. Ridership on the New York-Richmond-Raleigh-Charlotte *Carolinian* was 206,400 in 1994 and 242,400 in FY 2001. This is a single daily round trip; one-way route mileage is 702. A high proportion of riders on this train are making fairly long trips. At a February 1, 2000, meeting on Capitol Hill to announce formation of the States for Passenger Rail Coalition, David King of North Carolina DOT said "two-thirds of the people who board our trains want to go to the Northeast Corridor."

A second train, running only between Raleigh and Charlotte, was added during FY 1995. FY 1996 ridership was 29,100; in FY 2001 it was 50,600.

The state has a major station improvement program, which has helped ridership and will do so even more in the future.

Pacific Northwest

On the Pacific Northwest Corridor between Eugene, Oregon, and Vancouver, British Columbia, annual ridership grew 195% from 226,000 in FY 1993 (first year of the Amtrak/State of Washington partnership) to 666,700 in fiscal 2001, in spite of modest train speeds. (These ridership figures include relevant short-distance travelers on long-distance trains. FY 2001 was up 8.3% over FY 2000.) The major factors that explain this growth:

- Modern, Talgo trains
- Modest reduction in Seattle-Portland running time for the corridor trains from 3:55 (average speed: 47.5 mph) to three and a half hours (average speed 53.1 mph)
- Modest increase in frequency of Seattle-Portland corridor trains from one to three (total departures including long-distance trains from three to four)
- Modest service expansion north and south of those two cities (Portland-Eugene service doubled from one to two daily round-trips; Seattle-Bellingham went from zero to two, one of which continues on to Vancouver, B.C.)
- Increased highway congestion and higher gasoline prices.

While this service is nowhere near European or Japanese standards, it is more frequent than at any time since 1957, and the average speed for the fastest trains is higher than at any point in the last 50 years (except during 1971 when Amtrak achieved this speed but at a cost of dropping three intermediate stops).

If that kind of ridership growth can be obtained with *modest* improvements in speed and frequency, it is reasonable to expect that *significant* improvements would generate dramatic ridership improvements. Indeed, state plans—which are dependent on a federal funding partnership—envision over two million riders in the year 2018, based on reducing Seattle-Portland trip times to 2½ hours and increasing frequencies to 13 daily Seattle-Portland round trips. If the High Speed Rail Investment Act is passed, the Washington State DOT plans to accelerate the improvement program to complete the program in as soon as 10 years—still painfully slow by our standards.

U. S. Postal Service Contracts

Amtrak's longstanding relationship with the Postal Service has greatly benefited the bottom line, particularly of the long-distance trains. Amtrak's FY 2000 revenues were $96.1 million (annual report, page 20), and we understand that Amtrak "earns a 30% margin on sales" (Strategic Business Plan, FY 1999–2002, published October 12, 1998, page 33).

Midwest

This really is a success story to come. Progress has been much slower here than elsewhere. The Midwest Regional Rail Initiative aims to change that, and some notable progress has occurred:

- Amtrak and St. Louis finally have agreement on plans for a long-awaited intermodal terminal in that city, which will increase Amtrak's visibility as well as permit convenient transfers between Amtrak and the region's highly successful light rail line. Amtrak's inconveniently located "temporary" St. Louis station has been a major obstacle to ridership development.
- Testing is well advanced on a signal system on the Amtrak-owned third of the Chicago-Detroit line that will permit 110 mph operation.
- Wisconsin has plans for a new passenger-train station at Milwaukee's Mitchell Field, to begin to tap the huge market of travelers that would like to follow the European model of easy transfer between air and rail travel.
- The Wisconsin DOT on June 12 released a favorable Environmental Assessment for the proposed Milwaukee-Madison line, which is envisioned as eventually extending to the Twin Cities. On the 85-mile Milwaukee-Madison segment, travel time is projected at 1:07 (average speed 76.1 mph; top speed 110 mph). Testimony at recent hearings on the Environmental Assessment was very positive, with a clear majority of speakers in favor of developing the rail line. People in cities near the rail line are increasingly seeing fast, frequent train service as a strong asset to their communities.

II. Elements of Success

In most of the above cases, states have provided significant capital *and* operating support. To the extent that operating support has helped keep fares lower, this support has helped increase ridership. Indeed, whenever Amtrak is criticized for not showing more dramatic ridership growth in recent years, it should be noted that the 1997 Amtrak reauthorization sent a pretty clear message (a misguided one, in our view) that improvement to the bottom line was to be a higher priority than ridership growth. Consequently, ridership growth has come against a backdrop of pressure to increase fares, even on state-supported trains. For example, our New York members are concerned that pricing in the New York-Albany market has all but eliminated family and leisure travel. On the line west of Albany, where low airfares are now a major factor, our members think Amtrak has been slow to react and lower its own fares. They also feel that extension of a daytime train to Cleveland and restoration of an overnight train to Toronto would help develop markets where such competition is not a factor.

III. High Speed Rail

We strongly support the High Speed Rail Investment Act (HSRIA) or any practical plan for enabling the federal government to partner with states in developing air-competitive rail corridor services. Most of this work will be upgrading lines that already have Amtrak service. As noted above, some of these lines already have experienced significant ridership increases based on very modest improvements in running time.

One criticism of the HSRIA which we have heard is the high price tag for a "complete build out" of all of the Northeast Corridor and all of the federally designated high speed rail corridors around the country, and the fact that such a price tag is well beyond the resources in the HSRIA. A recent news report cited "preliminary Amtrak estimates of $50 to $70 billion over 20 years."

We do not see this as a problem. First, the 20% state match requirement will help insure that the most useful and economically viable projects get funded; intercity passenger rail money is hard enough to get to offer assurance that states are not going to "waste" it on low-priority projects. Second, in general, each small investment in this program is going to produce tangible benefits, such as reduction in rail travel time by a given number of minutes, and/or improved safety at certain grade crossings. Therefore, if a decision is made to stop the investment process before a corridor is "fully developed," the money spent up to that point would not have been wasted. Finally, it is obviously our expectation and hope that—just as the modest projects described above have created enough new ridership to build political support for further investment—so also will future investment projects further expand the high-speed rail constituency, enabling significant investments beyond those possible under the HSRIA.

We think it is a national disgrace that no state partnership program exists currently and that, in effect, there is no mechanism to reflect rail's ability to let the U.S. avoid certain costly, disruptive aviation investments. We understand that direct appropriations likely would cost less, but they are effectively "off the table." The small gap between "fire-walled" highway and aviation trust fund dollars and total resources available to the transportation appropriations subcommittee means it is

always a struggle to fund Amtrak's core system, as well as the Coast Guard and FAA operations.

The HSRIA is not an Amtrak bailout. A June 25 General Accounting Office report describes various concerns about S.250, the first version of the HSRIA introduced this year. H.R.2329 addresses most of the concerns described in this report, and some of them also have been addressed in a newer version of the Senate bill that is expected to form the basis for initial action in that body.

IV. Long-distance trains

The long-distance trains account for the majority of Amtrak's route-miles *and* passenger-miles (a passenger-mile is one passenger carried one mile). These trains are important to people who live in or try to reach small communities where alternate public transport does not exist, does not go to the right place, or is unaffordable. They are essential to people who don't like to fly or cannot fly for medical reasons, permanent or temporary. They often provide superior facilities for physically challenged passengers. Those who like an unparalleled view of America's physical beauty appreciate these trains, and they appeal to those who want a break from the fast-lane world of commercial aviation.

Long distance trains are the melting pots of U.S. and Canadian transportation, carrying passenger railroading's lowest-income riders (long-distance coach travelers) and some of its wealthiest (in deluxe sleeping accommodations). Coach passengers account for about 84% of the riders on these trains, and about 76% of the passenger-miles traveled.

These trains help glue the system together physically, facilitating the ferrying of corridor (and commuter rail) equipment around the nation. They also facilitate future efforts to build air-competitive corridors and commuter rail service. A downtown commuter rail station is not easy to start from scratch—witness the painful efforts to recreate one in Atlanta—so having it in place is a big help.

We are encouraged at a growing consensus on the need to expand and improve service in regional corridors. Certainly, the short to medium distance travel market is important. Data from the Bureau of Transportation Statistics show that 80% of all travel involves trips shorter than 500 miles. (Trips over 1,000 miles represent less than 10% of all trips but account for nearly 45% of all passenger miles.) But BTS data also shows that only one-third of all travel is between the 130 or so largest metropolitan areas. Another third is between these large metropolitan areas and smaller cities and towns; the final third is entirely among smaller communities. Limiting train service to regional corridors will not serve the mobility needs of the American public. Imagine the limited utility of the Interstate highway system if roads had only been built in densely populated areas.

Rail is not just a congestion solution. It is a mobility solution and a quality of life enhancement. Transportation choice lets people decide what form of transportation best suits their individual needs and circumstances. Since rail offers the specific advantages noted above, our transportation system must have a strong rail component in order to serve a broad range of individual mobility needs adequately. For the national rail passenger system to perform this role, it must connect regional corridors with inter regional links to maximize the number of origin and destination pairs served.

Long distance can be an efficient and cost effective way to provide these links and to serve major travel corridors in less densely populated areas. Consider, for example, the *Coast Starlight*, on the 1,389-mile Seattle—Los Angeles route, directly serving 29 cities (and 406 different origin-destination choices). It also connects regional corridor services in the Pacific Northwest, Northern California and Southern California, and connects with other long distance routes in Portland, the Bay Area and Los Angeles. By linking so many different services, this one route makes rail travel available for literally thousands of possible trips. The *Coast Starlight* is the only train running the length of its route, and freeways and low fare air service parallel it. Nonetheless, the *Starlight* attracts more than 730 passengers a day.

While Amtrak's route map gives the appearance of an extensive national system, the reality is that the network is skeletal. There are just 16 long distance routes, only one of which has more than a single daily round-trip, and there is a severe sleeping-car shortage. Yet every day, nearly 11,000 people choose a long distance train instead of flying or driving. While this number pales in comparison to the number of people who fly, so does the size of Amtrak's system. If we end the long distance trains, we will eliminate the ability of nearly four million passengers a year to make a choice that works best for them.

Most statements about losses incurred by long-distance trains do not represent the impact on system costs if the given train is eliminated. Many of the overhead costs would not go away, they would simply be reallocated to other trains. An Am-

trak report of February 28, 2000, said "shrinking the network would hurt, not help, Amtrak's bottom line . . . The overall financial performance of the network declines if Amtrak were to cut single routes." Similarly, Federal Railroad Administrator Allan Rutter said—when addressing our board of directors in Dallas on October 19—"we learned that incremental cutting of routes does not work."

Long distance trains also perform important non-passenger functions, including the carriage of mail (see "Success Story" section on page 5), most of which would have gone by truck absent Amtrak. The express business, also conceived to improve Amtrak's long-distance economics, had a rough start, with too much emphasis on revenue and not enough on cost. Amtrak's appointment last year of Lee Sargrad as President—Mail and Express appears to reflect a strong focus on enabling express, like mail, to make a significant contribution to the bottom line while relieving highways of some truck traffic.

There also are benefits for the freight railroads. Amtrak has been a leader in improving grade crossing safety, particularly in Florida, where it only runs long distance trains. Finally, Amtrak's express initiative appears to have inspired freight railroad efforts to recover some of the time-sensitive cargo lost to trucks years ago. Motorists, public safety, and energy efficiency generally benefit when cargo switches from road to rail.

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