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AMTRAK'S FISCAL YEAR 2014 BUDGET: THE STARTING POINT FOR REAUTHORIZATION

(113–8)

HEARING

BEFORE THE

SUBCOMMITTEE ON
RAILROADS, PIPELINES, AND
HAZARDOUS MATERIALS

OF THE

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TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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CONTENTS

Page

Summary of Subject Matter and addendum iv

TESTIMONY

Hon. Joseph C. Szabo, Administrator, Federal Railroad Administration 6
Hon. Joseph H. Boardman, President and Chief Executive Officer, Amtrak 6

PREPARED STATEMENT SUBMITTED BY MEMBER OF CONGRESS

Hon. Steve Cohen, of Tennessee 50

PREPARED STATEMENTS AND ANSWERS TO QUESTIONS FOR THE RECORD SUBMITTED BY WITNESSES

Hon. Joseph C. Szabo:
- Prepared statement 51
- Answers to questions from the following Representatives:
  - Hon. Jeff Denham, of California 66
  - Hon. Lou Barletta, of Pennsylvania 76
  - Hon. Corrine Brown, of Florida 77

Hon. Joseph H. Boardman:
- Prepared statement 81
- Answers to questions from the following Representatives:
  - Hon. Jeff Denham, of California 92
  - Hon. Corrine Brown, of Florida 96

SUBMISSIONS FOR THE RECORD

Hon. Joseph H. Boardman, President and Chief Executive Officer, Amtrak, five slides 9, 11, 13, 15, 17
Hon. Jeff Denham, a Representative in Congress from the State of California, submission of the following items for the record: .....
- Slide entitled, "PRIIA's Impact on Amtrak's Lines of Business: Performance Since 2010" 31
- Metropolitan Policy Program at the Brookings Institution, "A New Alignment: Strengthening America's Commitment to Passenger Rail," (2013) 119

Committee on Transportation and Infrastructure
U.S. House of Representatives

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Chairman

Washington, DC 20515

Nick J. Rahall, II
Ranking Member

April 8, 2013

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SUMMARY OF SUBJECT MATTER

TO:	Members, Subcommittee on Railroads, Pipelines, and Hazardous Materials
FROM:	Staff, Subcommittee on Railroads, Pipelines, and Hazardous Materials
RE:	Subcommittee Hearing on "Amtrak's Fiscal Year 2014 Budget: The Starting Point for Reauthorization"

PURPOSE

The Subcommittee on Railroads, Pipelines, and Hazardous Materials will meet on Thursday, April 11, 2013, at 10:00 a.m. in 2167 Rayburn House Office Building to receive testimony related to Amtrak's grant request for fiscal year (FY) 2014, and how it relates to Amtrak's on-going reorganization and the upcoming reauthorization of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). Additionally, the Subcommittee will discuss the Administration's past proposals for intercity passenger rail activities. The Subcommittee will hear from the President and CEO of Amtrak, Joseph H. Boardman, and the Administrator of the Federal Railroad Administration, Joseph C. Szabo.

BACKGROUND

The Rail Passenger Service Act of 1970 (P.L. 91-518) created the National Railroad Passenger Corporation (Amtrak) and charged it with the responsibility for providing intercity passenger rail transportation. Before Amtrak's creation, freight rail companies were required by federal law to operate passenger rail services. After the end of World War II, resumption of automobile production, development of the Interstate Highway System, and the explosive growth of air travel all combined to take away large numbers of passengers from the railroads. Given these trends, the railroads began petitioning the former Interstate Commerce Commission for permission to discontinue service.

Congress responded on several fronts, including the creation of Amtrak, a for-profit corporation, to take over the freight railroads' passenger service obligations and tasked the U.S. Department of Transportation (DOT) with designing Amtrak's route system to include short-to-medium distance corridors and a long-distance network.

On May 1, 1971, Amtrak began operating over a 23,000 route-mile system (which later grew to more than 26,000 route-miles), connecting 21 city-pairs designated by the Secretary of Transportation. Today, Amtrak serves more than 500 destinations in 46 states and 3 Canadian provinces on more than 21,200 miles of routes, with the help of more than 19,000 employees. In addition to passengers on 300 daily Amtrak trains, an average of 850,000 people travel over Amtrak infrastructure or on commuter trains operated under contract every weekday.

During FY 2012, Amtrak ridership reached 31.2 million passengers, the largest annual total in Amtrak's history, and the ninth annual ridership record in the last 10 years. Twenty of Amtrak's 27 short distance routes outside the Northeast Corridor and 5 of its 15 long-distance trains set ridership records.

Funding for Passenger Rail

Funding for Amtrak comes from revenues and appropriated funds authorized by Congress. The last reauthorization bill, the bipartisan Passenger Rail Investment and Improvement Act of 2008 (PRIIA) (P.L. 110-432), authorized a total of $9.8 billion for Amtrak for FY 2009 through FY 2013, including $2.9 billion in operating grants and $6.7 billion in capital and debt service. Amtrak's authorization is set to expire at the end of FY 2013.

Amtrak requested the amounts authorized for operating grants until its FY 2013 funding submission to Congress which requested $450 million, about $181 million less than the authorized amount of $616 million. Amtrak also received an additional $30 million in funding for operating grants from the Hurricane Sandy Supplemental bill. With respect to capital and debt service, Amtrak has requested funding above the authorized amounts but congressional appropriators provided just $4.7 billion of the $6.7 billion authorized for Amtrak capital grants for FY 2009 through FY 2013.

Amtrak Operating Grants
(in millions)

	Authorized	Requested by Amtrak	Appropriated	Actual Loss
2009	530	525	550	458
2010	580	580	563	420
2011	592	592	562	446
2012	616	616	466	362
2013	631	450	472	415

Amtrak Capital and Debt Service Grants
(in millions)

	Authorized	Requested by Amtrak	Appropriated
2009	1,000	1,146	940
2010	1,239	1,239	1,002
2011	1,313	1,323	921
2012	1,565	1,606	952
2013	1,602	1,656	904

Amtrak Lines of Business

Amtrak is operated as a for-profit corporation; it is not a public entity. As one corporation, Amtrak operates three distinct types of services:

- Northeast Corridor (NEC): Running between Washington and Boston, the NEC is the backbone of the Nation's intercity passenger rail system, carrying more passengers than any other line. The NEC is host to intercity passenger rail, commuter rail, and freight rail operations. Of the 437 total miles of the NEC, Amtrak owns and controls 363 miles, with states controlling portions of the route north of New York City. Amtrak operates 153 daily trains on the corridor, including the Northeast Regional and Acela services, and Amtrak has captured over 75 percent of the Washington to New York air-rail market.

- State-Supported Routes: Amtrak operates 21 state-supported routes in 19 states[1], under which the states contribute funding to provide additional passenger rail services. These corridors of less than 750 miles, primarily located in the Northeast, Midwest, and Pacific Coast, connect major metropolitan areas and have seen substantial ridership growth over the past decade. State-supported corridor services carry nearly half of Amtrak's annual riders – about 15.1 million riders.

- Long Distance Routes: Amtrak operates 15 long distance trains over an 18,500 mile network, utilizing privately-owned freight rail track. These long distance trains are the only intercity passenger rail service in 23 states and 223 communities. In FY 2012, the long-distance routes carried a total of 4.7 million passengers, the highest ridership in 19 years. Despite this, the lion share of Amtrak losses are on the long distance routes.

As the chart below shows, the Northeast Corridor generates a substantial "above the rail" operating surplus, which cross-subsidizes the losses on the State-Supported and Long Distance routes. Losses on the State-Supported routes are expected to be reduced by approximately $85 million in FY 2014, when states will be required to contribute more financial support for their Amtrak services, under section 209 of PRIIA.

[1] States that provide funding, and the routes on which some or all service is state-supported, are: California, Connecticut, Illinois, Indiana, Maine, Massachusetts, Michigan, Missouri, New Hampshire, New York, North Carolina, Oklahoma, Oregon, Pennsylvania, Texas, Vermont, Virginia, Washington, and Wisconsin.

Operating Profit/(Loss) by Line of Business				
$ in Millions	2010	2011	2012	2013 (Est)
Northeast Corridor	142	255	308	344
State Supported Routes	(181)	(148)	(156)	(138)
Long Distance Routes	(520)	(554)	(559)	(580)
Other Activities	140	1	44	(41)
Total Net Loss	**(420)**	**(446)**	**(362)**	**(415)**

In the past, it has been difficult for Amtrak's stakeholders to understand the drivers of Amtrak's costs and performance. This issue has long been recognized and a diverse set of stakeholders have made recommendations to realign Amtrak's organizational structure along the lines of business they operate, which was recently highlighted in a report by the Brookings Institution.

As a result, Amtrak announced in 2012 that it would reorganize. As its first step, Amtrak would appoint general managers for the major business lines. Amtrak has also committed to revising its annual grant request to reflect this reorganization, though it appears the company did not do so for FY 2014. The Subcommittee will be exploring how Amtrak's reorganization is progressing, and how it can inform the reauthorization of PRIIA.

Amtrak's 2014 Legislative Grant Request

Operating Request

As Amtrak's ridership has grown on the NEC and other routes, the company's operating loss has narrowed somewhat; yet those savings have not translated into reduced federal operating grants. According to Amtrak and the Federal Railroad Administration (FRA), when Amtrak has received more operating grants than it utilizes, the company has used the excess funding to cover capital improvements.

In FY 2013, Amtrak received a $471 million appropriation for operating grants. Amtrak estimates that their actual operating loss for FY 2013 will be $415 million, providing an excess appropriation of $56 million in operating grants.

Amtrak Operating Loss versus Operating Subsidies				
$ in Millions	2010	2011	2012	2013 (Est)
Net Operating Loss	(420)	(446)	(362)	(415)
Operating Subsidy Appropriations	562	562	466	472
Excess Subsidy	**142**	**116**	**104**	**57**

For FY 2014, Amtrak is requesting $373 million in federal operating grants. However, beginning in FY 2014, section 209 of PRIIA requires certain states to cover more of Amtrak's costs for providing service to State-Supported routes. Amtrak estimates that this will increase the states' support by $85 million, meaning the federal support for those routes should decrease by $85 million in FY 2014, which is not reflected in Amtrak's funding request to Congress.

In fact, Amtrak is requesting more federal operating subsidies than it requested in FY 2013. In FY 2013, it requested $450 million (not including its Sandy needs). Had section 209 of PRIIA been implemented in FY 2013, then Amtrak could have requested an operating subsidy of $365 million. As stated above, the $373 million request from Amtrak for FY 2014 does not seem to include the $85 million it will receive from the State-Supported routes. **The FY 2014 request is actually $93 million more than Amtrak requested in FY 2013, for a total of $458 million.** The committee will explore these issues at the hearing.

Capital and Debt Service Request

Amtrak is requesting $2.27 billion in FY 2014 for its capital program, about $1.4 billion more than the amount ($904 million) that is being provided to the corporation in 2013. Of that amount, Amtrak is requesting $1.869 billion for capital projects (versus $646 million in 2013), $196 million in equipment lease buyouts (funded in previous years by the U.S. Department of Treasury), and $212 million (versus $258 million in 2013) in debt service payments.

Under its grant request, Amtrak would increase capital spending, including the procurement of new rolling stock ($356 million), initiation of several projects related to Amtrak's proposal for new Hudson River tunnels in New York ($167 million), and continued efforts to bring stations into compliance with the Americans with Disabilities Act. However, the Northeast Corridor Infrastructure Advisory Commission has estimated that there is $40 billion worth of critical infrastructure needs on the NEC. Amtrak's capital budget has historically supported maintenance projects, thereby deferring larger infrastructure projects.

Administration's Previous Rail Proposals

In its FY 2012 and FY 2013 Budgets, the Administration proposed to fold Amtrak into a larger intercity passenger rail program funded on the mandatory side of the Budget. The Administration proposed to fund this rail program out of an expanded Transportation Trust Fund

(currently the Highway Trust Fund), financed with mandatory Contract Authority and discretionary obligation limitations (similar to the Federal Aid Highway program).

The FY 2013 Budget proposed $2.5 billion for passenger rail activities, of which $1 billion would be for the development of new high speed rail corridors and $1.5 billion would be for existing passenger rail services, principally Amtrak. Over 6 years, the Administration proposed $47 billion for rail in its budget. To pay for these investments, the Administration proposed to utilize the "savings" from capping overseas military spending. The Administration's proposal has not gained traction due to lack of a specific dedicated funding source.

It is expected that the Administration's FY 2014 Budget will again include a large rail proposal, financed on the mandatory side of the Budget.

INVITED WITNESSES

The Honorable Joseph H. Boardman
President and Chief Executive Officer
Amtrak

The Honorable Joseph C. Szabo
Administrator
Federal Railroad Administration

Committee on Transportation and Infrastructure
U.S. House of Representatives

Bill Shuster
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April 10, 2013

SUMMARY OF SUBJECT MATTER: ADDENDUM

TO: Members, Subcommittee on Railroads, Pipelines, and Hazardous Materials
FROM: Staff, Subcommittee on Railroads, Pipelines, and Hazardous Materials
RE: Subcommittee Hearing on "Amtrak's Fiscal Year 2014 Budget: The Starting Point for Reauthorization"

Today the Administration released its Fiscal Year 2014 Budget, including amounts proposed for the Federal Railroad Administration and Amtrak. This request will be discussed at the Subcommittee hearing on April 11th.

The President is requesting $6.6 billion for the Federal Railroad Administration, including $6.45 billion for the first year of multi-year rail reauthorization and $185 million for safety and oversight activities. In addition, the Administration is again proposing $50 billion in "immediate transportation investments", which includes $2 billion for Amtrak and $3 billion for intercity passenger and high speed rail-type projects.

The Administration is proposing to pay for proposal with savings from ramping down overseas military operations.

Five Year Rail Reauthorization. The Administration's budget request includes a $40 billion, five-year rail reauthorization proposal, including $6.4 billion in 2014. Consistent with the past two requests, the Administration is requesting this funding on the mandatory side of the Budget, financed out of an expanded Transportation Trust Fund (currently the Highway Trust Fund). Under the proposal, intercity passenger rail funding would be supported by mandatory Contract Authority, but subject to obligation limitations in annual appropriations bills (similar to Federal Aid Highways).

Administration Rail Reauthorization Proposal
$ in Millions

	2014	2015	2016	2017	2018	Total
Current Passenger Rail Service (Amtrak)	2,700	3,225	2,550	2,650	2,075	**13,200**
Rail Service Improvement Program	3,660	4,820	5,150	5,900	6,870	**26,400**
Railroad R&D	90	80	80	75	75	400
Total, Rail Reauthorization	**6,450**	**8,125**	**7,780**	**8,625**	**9,020**	**40,000**

Rail Service Improvement Program. The Administration proposes $26 billion over five years for this new account, which would support capital improvements to existing passenger rail corridors, and the development of new services. In 2014, the Budget includes $3.3 billion for large capital grants for the construction of new corridors or substantial improvements to existing corridors and $340 million for smaller grants to improve freight and passenger rail bottlenecks and rail line relocation activities. Additionally, $70 million is requested for planning activities.

Current Passenger Rail Service. To Support existing Amtrak services, $13 billion is provided over five years for this new account, with separate authorizations by Amtrak lines of business. In 2014, the Budget includes $675 million for the Northeast Corridor, $300 million for State-Supported Routes, $800 million for Long Distance Routes, and $925 million for national assets such as Amtrak's ticketing systems and stations.

Notable Changes. In most respects the Administration's request mirrors the last two budget proposals for rail, with one consolidated program, of which roughly sixty-five percent of the funds support new rail services and thirty-five percent support existing Amtrak operations. However, the 2014 Budget does include some new elements:

- *Amtrak Lines of Business.* The Budget proposes to allocate Federal support, both capital and operating, to Amtrak by lines of business, a reform that many groups have called for to increase transparency and accountability at Amtrak. Amtrak has begun a reorganization to move its operations to such a model.

- *Transition Assistance for the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) Sec. 209.* Beginning in FY 2014, section 209 of PRIIA requires certain states to cover more of Amtrak's costs for providing service to State-Supported routes. The Administration is proposing $300 million in funding in 2014, to allow States to phase in their contributions over time. By Fiscal Year 2018, such funding would be eliminated under the President's request.

- *Positive Train Control (PTC) Equipage Funding.* The U.S. Department of Transportation recently released a report detailing significant obstacles to meeting that requirement. For the first time, the Administration is proposing to make PTC equipage for Amtrak and commuter railroads an eligible use for grant funding.

- *Grants for Freight Rail Projects.* The 2014 Budget includes $190 million to upgrade intermodal freight facilities and $150 million to address major freight and passenger rail bottlenecks.

AMTRAK'S FISCAL YEAR 2014 BUDGET: THE STARTING POINT FOR REAUTHORIZATION

THURSDAY, APRIL 11, 2013

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

The subcommittee met, pursuant to notice, at 10:08 a.m. in Room 2167, Rayburn House Office Building, Hon. Jeff Denham (Chairman of the subcommittee) presiding.

Mr. DENHAM. The subcommittee will come to order. First, let me welcome our distinguished witnesses and thank them for testifying today.

As you know, Chairman Shuster and I are committed to rail reauthorization this year, and hopefully this hearing will continue that bipartisan effort. The starting point for this reauthorization is Amtrak and the Administration's respective budget requests. This is our starting point, because the primary policy questions answered in this or any other reauthorization, or how much Federal funding do we allocate, and what should that funding be used for.

Today we will hear from both Amtrak and the Administration regarding Amtrak's fiscal needs. As you may know, the Passenger Rail Investment and Improvement Act of 2008, PRIIA, authorized funding levels for Amtrak over 5 years for operating grants and capital grants.

On the operating side, PRIIA authorized, Amtrak requested, and Congress has appropriated amounts higher than Amtrak's actual needs. In fact, since PRIIA was enacted, Amtrak received $2.6 billion in operating appropriations, but actually only had $2.1 billion in losses. While Amtrak did use this money on important projects like purchasing a new set of long-distance train sets, imagine if Amtrak could have leveraged this half billion dollars for its infrastructure needs on the Northeast Corridor. I look forward to exploring this matter with our witnesses.

With regard to capital grants, the PRIIA reauthorization levels were higher than what has been consistently appropriated. In fiscal year 2014, Amtrak is requesting $2.27 billion for its capital program, about $1.4 billion more than the 2013 amount. This additional funding includes the procurement of new rolling stock, initiation projects related to the new Hudson River tunnels in New York, and continued station compliance with the Americans with Disability Act.

In addition to hearing about Amtrak's fiscal needs, both entities will also address the reorganization of Amtrak into business lines. Amtrak's decision to split out Northeast Corridor, State-supported routes, and long-distance routes will create more transparency and show stakeholders where Federal funding is needed.

There is growing agreement between Amtrak, the Administration, and others like the Brookings Institute, that reorganization is a big first step toward running Amtrak more like a business, which would allow proper infrastructure development. The current operating structure does not allow proper infrastructure development because the profits of the Northeast Corridor go to subsidize losses in other routes, especially the long distance routes. We must find a better way to do this, and we are open to many new ideas.

Before I close, I ask unanimous consent that the Brookings Institute report entitled, "A New Alignment: Strengthening America's Commitment to Passenger Rail" be included in the record.

[No response.]

Mr. DENHAM. Without objection, so ordered.

[The Brookings Institute report entitled, "A New Alignment: Strengthening America's Commitment to Passenger Rail" can be found on page 119.]

Mr. DENHAM. Again, I want to thank the witnesses for being here today. I would now like to recognize Mrs. Napolitano from California for 5 minutes to make any opening statement she may have.

Mrs. NAPOLITANO. Thank you, Mr. Chairman. And I too want to thank you for holding the hearing and kicking off our work to reauthorize Amtrak.

I do believe the best way to approach Amtrak's future is to fully understand its past. In 1971, passenger rail service was in steep decline. And the creation of the Interstate Highway System and development of jet aircraft taken its toll on the private railroads. Losses reached an all-time high of about $750 million annually, or about $4 billion in today's dollars. To prevent elimination of passenger rail service in the United States, Congress did step in and created Amtrak, stating that a modern, efficient, intercity rail passenger service is a necessary part of a balanced transportation system, and that the public convenience and necessity requires a continuance in improvement of such service.

At the time, Congress recommended moving away from treating passenger's rail as a separate entity. Congress wanted to focus on development of a coordinated approach to transportation that provided balance amongst all modes. Legislation to achieve that balance was, unfortunately, abandoned, as Congress feared that delaying the action on passenger rail legislation would lead to the demise of the entire rail system.

As a result, when Amtrak was born, it was a mess. Just 1,500 employees were responsible for safety operation of 26.3 train miles. That infrastructure, facilities, and equipment that Amtrak inherited from railroads were in a serious state of disrepair. In one particular glaring example, Amtrak was not able to replace a 100-year-old bridge it inherited until enactment of the American Recovery Reinvestment Act in 2009, despite the service disruption the aging bridge had created for years.

Similar challenges posed by aging infrastructure today seriously hinder Amtrak's ability to further improve service and increase revenues. Make no mistake about it: That is our fault. We never, ever gave Amtrak the resource it needs to accomplish a state of good repair, much less maintain its current system. In part, these challenges stem from the fact that, before Amtrak was created, the Federal Government has created—treated railroads, both freight and passenger, differently than other modes of transportation. We have a different planning process for highways, transits, and rail, which makes no sense. We have different funding streams.

From 1947 to 1970, when Amtrak was created, the Federal Government spent $11.3 billion on aviation. In the same period we provided $52.4 billion for the development of Interstate Highway System. While most of the money came from user fees, at least $8 billion were from the General Fund. Today the annual Federal spending on highway construction exceeds $42 billion. We have not spent that much on improved rail services in 43 years.

We often gloss over the fact that this funding does not all come from user fees. But in 2008 a total of $46.3 billion in General Funds has been transferred to the highway account of the Highway Trust Fund to keep the trust fund solvent. And an additional $6 billion has been transferred to the mass transit account.

Despite the considerable constraints that Amtrak is forced to operate under, our national rail carrier continues to set new ridership and revenue records, and demand for services is ever-increasing. Just last month, more Americans rode the rails than any other month in Amtrak's history. And Amtrak is on track to set yet another yearly ridership record.

So, Mr. Chairman, we have an opportunity here to help Amtrak build on this considerable success. So let's go in a new direction, the one that—as envisioned by the creators of Amtrak back in 1970. And let's create a balanced surface transportation system. We have deficient roads, deficient bridges, and significant needs in transit and passenger and rail service—freight rail. That calls for unified short and long-term planning and dedicated financing, which our President proposed creating his fiscal year 2014 budget request, a Transportation Trust Fund to help finance our freight and rail passenger needs.

I look forward to exploring this a bit more with the witness, and I thank Ms. Corrine Brown for asking that I come and sit in, because I wanted to learn more about Amtrak. Thank you, Mr. Chair.

Mr. DENHAM. Thank you. I now call on the full committee chairman, Mr. Shuster.

Mr. SHUSTER. Thank you, Mr. Chairman, and I appreciate you holding this hearing today. I want to welcome Administrator Szabo and Mr. Boardman. It is good to have you here today. And if we are going to enact meaningful reauthorization, we need both of your input as we move forward. So again, this is a good place to start that conversation.

As I have previously noted before, the rail reauthorization is one of the committee's top priorities, and we have got a lot of hard work ahead of us to develop, draft, and pass a rail reauthorization. And a major part of that will be Amtrak as we move forward.

From the beginning of our history in this country, from the canals to the transcontinental railroad, to the Interstate Highway System, infrastructure plays an extremely important part in the health of the economy of the United States. And now, more than ever, as the Nation continues to grow, as we go from 300 million to 400 million people, and you look—that population does not all move into the South and to the West, the Northeast Corridor and these other densely populated corridors are going to have to look at alternative ways to move people. And Amtrak needs to be part of that equation.

Our role in the Transportation Committee is to make sure that we are investing money wisely in infrastructure to make sure that we are going to maintain competitiveness, globally. It is absolutely critical, if you are talking about jobs, economic development, trade. The fourth thing that you roll off your tongue is transportation. The system needs to be in place, again, to move people and to move goods.

Amtrak in the Northeast Corridor is one of our most valuable assets. And we need to make sure that the investment that Amtrak is making is geared towards or focused on those important assets that we have. And, as I said, the Northeast Corridor is one of those that we need to focus like a laser on.

We may disagree on the funding levels, but I am very encouraged that both the Administration and Amtrak believe that there needs to be reform and improvement as to how Amtrak operates. For the last 40 years, I don't believe the current structure of Amtrak has allowed it to run like an effective business. I know that Mr. Boardman has made some improvements at Amtrak, but I think there is a lot more we can do there. And again, the focus being on the Northeast Corridor, which has been underinvested over the last 40 years.

But I believe this is a great starting point. All of us new Members and veteran Members need to take a real hard look at Amtrak and improving it as we work towards a reauthorization bill. So again, I thank the chairman for not only holding the hearing, but for diving into the policy details. He has been doing a great job, and we really appreciate that. So again, I yield back.

Mr. DENHAM. I now recognize the former committee chair for any brief comments he may have. Mr. Mica.

Mr. MICA. Well, thank you, Mr. Chairman, our subcommittee chair. I want to thank you for your leadership on this hearing and this issue. And, Mr. Chairman, thank you. Mrs. Napolitano, Ms. Brown, others who are working towards reauthorization. I think the last time we had a hearing we were reminded it took 11 years to do passenger rail reauthorization with bipartisan cooperation working with Mr. Oberstar and others, people of goodwill, we passed that authorization which—the PRIIA—will need to be replaced. And we should do it as efficiently as possible, particularly in a time of taxpayer losses.

You will probably hear some good news from Amtrak, and Mr. Boardman has done his best. The problem always isn't Mr. Boardman or Amtrak. The problem is sometimes Congress, in that it sets up the parameters by which Amtrak operates. That is why this reauthorization is so important.

Some of the subsidies per passenger ticket have come down a bit. There is still $45.45 for last year, every single passenger ticket was underwritten. That is the operating and capital subsidy for Amtrak passengers. Some of the routes continue to be huge losses. We cited last time you could pick someone up in a limo in New Orleans, take them to the airport, fly them to Los Angeles, and have them delivered to their residence or location in the Metropolitan Los Angeles area less than you could for Amtrak, again, with the subsidization loss that we are now paying.

The largest carrier in the United States is by surface bus, private operators, all who make a profit or go out of business. Many of our routes could be changed out.

In a week in which we memorialize and recognize some of the efforts of Margaret Thatcher, you have to look at her example of privatization. Now, of course, back in 1971 we set up this Amtrak Corporation. It took from 1982, when she began privatization in the UK, to past her term with John Major instituting competition in rail in the UK. They have had 20 years of experience, some of it good, some of it not so good.

I intend to move forward with trying to open all passenger rail service in the United States currently operated by Amtrak to private competition. Nothing healthier than private competition. In fact, European Union—and I just got back from riding one of the trains there—improved State service because now in Italy they have private-sector competition. And I am hoping in this reauthorization we can lay the groundwork for better service for eliminating some of the routes that lose incredible amounts of money.

When we are talking about closing down essential Government services, and we are underwriting still—and I am anxious to hear the projections for food service loss—where is my McDonald's here? Usually I have my McDonald's about this time. But we have—we grew from $83 to $85 million in losses on food service. And that, in a time of incredible stress on our economy, losses, increasing debt, we have got to address.

So, you can only put so much—there is my McDonald's here—of course I always use this as an illustration. Every cup sold on Amtrak, and even with the news of more passengers, it is more underwriting every time they buy a cup of coffee. While McDonald's can sell that for a dollar and make money, and some stores more, we lose $1.60 for every dollar spent on food service in Amtrak. But this wasteful loss has to come to an end. You can only put so much lipstick on a black hole financial operation, and you still have great losses to the taxpayer.

So, I am interested in the bottom line and an open competition, and improving service and working with Amtrak and the committee to make certain that we go down a path of competition, a path of saving the taxpayer money, and providing good passenger rail service nationally for all the American people. With that, I yield back.

Mr. DENHAM. I would like to again welcome our witnesses here today. Our first panel will include the Honorable Joseph Szabo, Administrator of the Federal Railroad Administration and the Honorable Joseph Boardman, president and CEO of Amtrak. I ask unani-

mous consent that our witnesses' full statements be included in the record.

[No response.]

Mr. DENHAM. Without objection, so ordered. Since your written testimony has been made part of the record, the subcommittee would request that you limit your oral testimony to 5 minutes.

Mr. Szabo, you may proceed.

TESTIMONY OF HON. JOSEPH C. SZABO, ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION; AND HON. JOSEPH H. BOARDMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMTRAK

Mr. SZABO. Well, thank you, Mr. Chairman, Chairman Shuster, and to the members of the committee. Appreciate the opportunity to appear before you today to discuss rail policy reauthorization.

Our budget request released yesterday reflects our reauthorization priorities, and also reflects an emerging consensus that rail is the mode of opportunity. By 2050 America's transportation network will need to move 100 million additional people and 4 billion more tons of freight per year. And it will need to do it safely, reliably, and efficiently.

Today our airports and highways are stretched close to their limits, hampered by congestion that costs our economy more than $120 billion per year. And these challenges underscore the need to invest in more underutilized transportation alternatives, such as rail, which can be the most cost-effective, least oil-reliant, most environmentally-friendly, and the safest mode to move both people and freight.

Congress recognized this need in 2008 when it passed, with bipartisan support, 2 pieces of legislation: the Rail Safety Improvement Act, and the Passenger Rail Investment and Improvement Act. Both have provided the policy framework for our safety and development initiatives now helping to fuel the resurgence of American rail. Since these two landmark acts were passed, railroad accidents have fallen to record lows, while Amtrak's ridership and on-time performance have risen to record highs.

Intermodal freight traffic surge last year to near-record levels. And the freight rail industry continues to reinvest in capacity expansion like at no other time since the Gilded Age. Passenger rail too is experiencing a renaissance. Amtrak has set ridership records 9 out of the last 10 years. And since 1997 its ridership has grown 55 percent, faster than any other major travel mode, and at a rate three times faster than the American population growth during that same period. And while all of this occurs, historic levels of public and private investment are laying a foundation for a higher performing rail system that is safer, more reliable, and more efficient.

But PRIIA and RSIA and now set to expire at the end of the fiscal year. And as much as we have accomplished, much more needs to be done to rebalance our Nation's transportation network.

Our budget lays out a comprehensive blueprint for moving forward. Its fundamental goal is to take a more coordinated approach to enhancing the Nation's rail system, a holistic, integrated strategy that addresses rail safety issues, passenger and freight service

improvements, and planning. Our new approach builds on the core principles of PRIIA and RSIA, and it better reflects our on-the-ground experiences, including the complex reality of a rail system which mainly runs on privately owned track and carries a mix of passenger and freight trains.

Safety remains our top priority. RSIA has enabled us to focus on risk-reduction program regulations in some of the most challenging areas of safety, from hazardous materials to track, highway rail grade crossings, and rail trespassing. Fully implementing these regulations will drive rail accidents to new record lows.

But continued capital investment that upgrade or eliminate the need for public highway rail grade crossings, advancing the creation of sealed corridors, is another huge win for safety. We envision the domestic rail industry again being world-leading, an industry that exploits intellectual capital—or exports, I should say intellectual capital—and rail products all over the world. And will continue to manage our investments through a transparent process. And, with your support, we can safely position our rail network for its increasingly vital role.

Much of the rail infrastructure we rely on today was built by past generations of Americans who acted boldly on our behalf. Now the time has come for our generation, for the sake of our children and grandchildren, to recapture that visionary spirit. A sustained, long-term funding strategy similar to those in place for highways, transit, and aviation will make that possible. And it is appropriate, given the enormous pent-up demand for rail projects.

For the $10 billion this Administration invested in high-speed and higher performing intercity passenger rail, we have received applications from 39 States, the District of Columbia, and Amtrak requesting 7 times that amount. Our reauthorization priorities will enable us to continue answering this strong demand, and it will enable rail to continue moving America's economy forward.

So, I look forward to discussing our proposal and working with you, Mr. Chair and Mr. Chair, and the members of these committees, to meet our mutual goals this year. Thank you very much.

Mr. DENHAM. Thank you, Mr. Szabo.

Mr. Boardman, you may proceed.

Mr. BOARDMAN. Thank you, Mr. Chairman and all. One of the issues we have heard a lot about this year is cash management. Understanding how we do this is more important than understanding our budget request. Because we are a business, rather than an agency, our budgets are much more fluid. We generate revenues and our need for operating funding fluctuates, depending on our revenue performance.

Over the last couple of years that performance has been very good, but it hasn't changed Amtrak's basic situation. We are a capital-intensive business that does not generate sufficient revenues to cover our operating costs, let alone fund capital investment. We are a heavily seasonal business, one that is frequently affected by weather and other events. And our real fiscal challenge is not so much budgeting as it is cash management.

You will see that here, on the first slide. Over the last 3 fiscal years we have used capital grant money to fund operating expenditures on four occasions, none longer than 9 days' duration and none

more than 2 percent of the total value of our annual operating expenses. All of our capital funds were eventually used for activities in our approved capital plan.

We have actually been recognized by Treasury & Risk magazine with their Alexander Hamilton Award for the efficiency of our cash management, since it minimizes the need for duplicative work, provides us with a much-needed flexibility, and saves on unnecessary expense.

Use of capital to cover operating needs, FY10-12

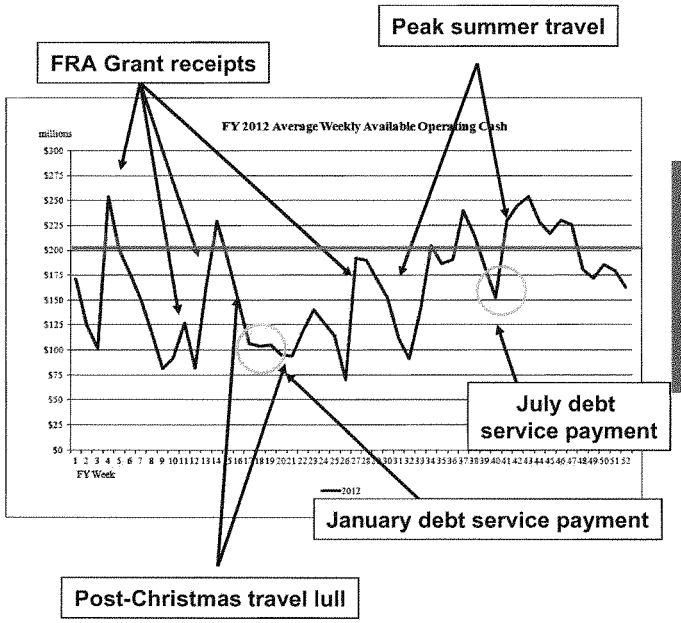
Periods when Amtrak used capital monies to fund operating needs, FY 2010-2012			
Dates	Maximum Transferred (in $M)	Percentage of Operating Expense	Days Outstanding
29-30 March, 2011	$12	.4%	2
29 December, 2011	$9	.3%	1
27-29 March, 2012	$35	1%	3
17-31 January, 2013	$62	2%	9

It would cost Amtrak half a million dollars a year to maintain a line of commercial credit

The next slide will explain why this is necessary. The seasonality of our revenues is exacerbated by the periodic nature of our operating support payments and the challenges that come with an unpredictable budget cycle. I would add that those challenges aren't just associated with the Federal budget cycle, although that is challenging enough. Each of the 15 States that partner with us to offer service has its own budget cycle, and those cycles can affect when States pay the bills they incur from operation of our State services.

There is an aspect of due caution involved in budgeting for a $4 billion company that has little liquidity as Amtrak enjoys. We typically have about $200 million in cash reserves, and there are points where that reserve dropped below $100 million, which is a major concern for us. Let me put it in real-life perspective. If you made $400 a week, that means you would carry $20 around in your pocket. We have had to deal with the challenge that comes from having a continuing resolution every year since 1998.

The cash management challenge



An average cash balance of $200 million is a very low level of liquidity for a $4 billion company

This next slide will give you an idea of some of the challenges we face in building an operating budget for the coming fiscal year. We typically budget with the expectation that there will be certain levels of disruption. In part, we would rather ask for the money upfront than come back to Congress in the midst of a major event with a sudden request for more funding. As you can see from the chart, we are running a degree of calculated risk in 2014. Our budget includes a projected total of $85 million from the States generated by the Section 209 process that was mentioned earlier.

But the process of concluding and funding the new contracts is still, for the most part, ahead of us. And if it doesn't work out, services will need to be cut. It will trigger shut-down costs for Amtrak, with a change in revenue and generation cost structure.

While we do need the flexibility to use capital money to cover operating expense on a temporary basis, there is another side to the coin. When the financial situation is favorable, Amtrak does use the operating money to meet capital and other expenses. For example, we have used operating funds to ensure that Amtrak's retirement fund is currently fully funded.

FY 2014 operating request

FY 2014 projected operating need	
Category	**Millions of dollars**
Passenger Revenue	2,253.0
State-supported train revenue	286.6
Other (Commuter, reimbursable work, commercial development, freight access, etc.)	528.9
Total Revenues	3,068.5
Salaries, wages and benefits	2,067.1
Other expenses	1,374.5
Total Expenses	3,441.6
Operating need	**373.1**

Assumes $85 million in 209 funding

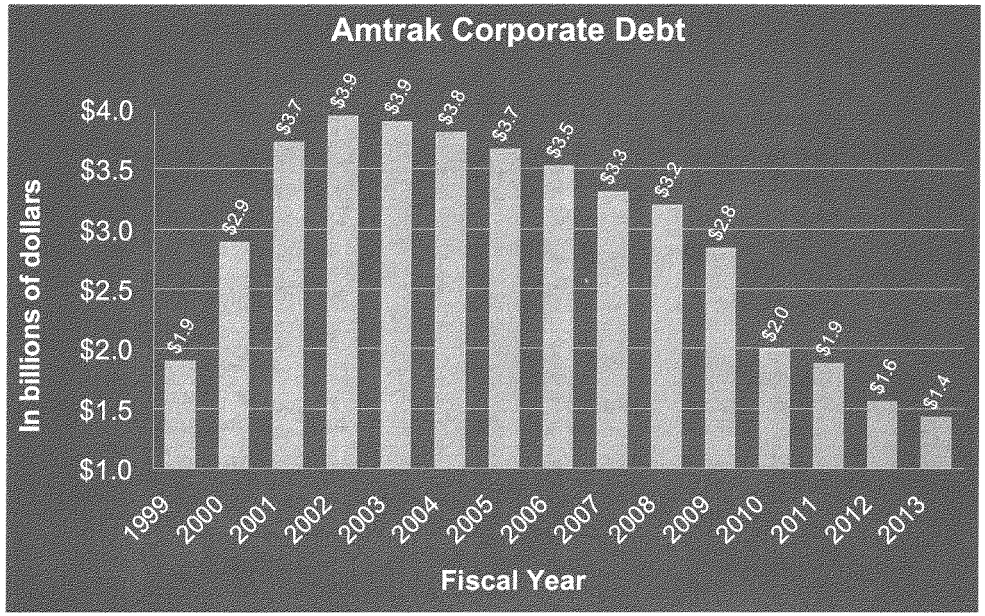
Benefits, wages, and salary costs grow about 4.5%, but this increases costs by $89.4M

Total costs rise about $102.1M – about 3% cost growth

Overall cost growth is just above national inflation rate (3% vs. 2%)

In the next slide we will explain another one of the investments we have made. It will show a reduction in overall debt. And you can see that during that glide path to profitability back in 1999 to 2002, it was funded by increasing debt. During this period, the company was starved for cash. New York Penn Station was mortgaged, 30-year-old cars were sold and leased back to the company, all to generate money Amtrak needed to keep things moving. We have made a definite decision to change that.

Debt is down



Total indebtedness is less than half of the 2002 level

Be assured there are a lot of checks and balances in place to ensure that no abuses occur. And if you look at the next slide, you will see some of the agencies, firms, and bodies that oversee Amtrak's financial transactions. We report our cash balances to the FRA every day. And we also submit monthly reports so they are very aware of both our immediate balance and our longer term outlook. We are also audited on an annual basis, just as any publicly traded company would be. It would be hard to think of an entity, public or private, that is as thoroughly subject to scrutiny or oversight as Amtrak. Some even say we have more studies on us than the Kennedy assassination.

Oversight agencies, firms and bodies

- Federal Railroad Administration
  - Daily cash balance report
  - Monthly cash reconciliation report
  - Monthly cash planning reports
- Auditing firms
  - Ernst & Young (2012)
  - BDO (2011)
  - KPMG (2009, 2010)
- Amtrak Inspector General
- DOT Inspector General
- General Accountability Office
- Congressional oversight
  - House T&I
  - House Appropriations
  - Senate Commerce
  - Senate Appropriations

Over the last decade we have grown our ridership, cut our debt, reliance on Federal support, and we brought new service to States and regions that have fewer and fewer choices. We are doing the right things and we are doing things right. Congress should be proud of the job we have done.

But we faced very real capital challenges that have to be addressed. If we do not invest, we would expect to see not lower operating costs, but higher ones. Not higher speeds, but lower ones. Not better on-time performance, but worse. Our fleet and Northeast Corridor infrastructure are old and getting more fragile than they have ever been. Each day the investment need grows. This reauthorization provides an opportunity to make a decision about what kind of railroad we want and what kind of business we are going to run.

For the benefit of our customers, our employees, and our Nation, I ask you to address the needs for investment that provide for the safe, secure transportation of our customers at competitive trip times, with greater capacity to support our economy, and with a national intercity mobility and connectivity in mind for Amtrak, America's railroad. Thank you.

Mr. DENHAM. Thank you, Mr. Boardman. Mr. Szabo, I wanted to start first by discussing the budget that was recently presented. This year Amtrak received $1.5 billion in Federal funds, but the Administration is now requesting $2.7 billion for Amtrak in 2014, and an average of $2.6 billion per year for the next 5 years.

You are seeking an additional $1.2 billion for Amtrak. What is the need for the additional funds? Where do you expect the expenditures to take place? And what is the revenue system you are looking to generate or offset that?

Mr. SZABO. It is really a matter of taking a look at what does it take to do this right and to make sure that rail, whether we are talking passenger or freight rail, plays the role that it is going to have to play in meeting our growing transportation needs.

And so, it is a matter of drilling down in each of the distinct business lines which we propose separating out and fully understanding what are the capital needs to bring that railroad to a state of good repair, and ensure kind of three tenants that I come back to: safety, efficiency, and reliability. And making sure that we are making the capital investments so infrastructure and equipment is fully refreshed, and then the capitalization takes place on an ongoing basis for continuing renewal of the infrastructure in the fleet, again, to make sure that we operate safely, efficiently, and reliably.

So, we drill down in each of the business lines—as I said, the Northeast Corridor—and take a look at the substantial backlog of state-of-good-repair needs for the corridor to bring it to the state that it should be.

And the other business line with the States, of course that responsibility is now transferred to the States under PRIIA Section 209, both the operating as well as the renewal of capital. And so we are proposing that transitional assistance for the States that phases out over the 5-year period.

And then again, for the long-distance network, which is kind of that third critical business line, understanding, again, what it is

going to take to do it right, to make sure it is safe, efficient, and reliable.

And then the fourth category in the business lines would be those national assets. To a great extent, one-time improvements that need to be made, such as bringing all the stations into ADA compliance, positive train control investments, as well as what would—the elimination of legacy debt—and again, those are the three things that would fade away—while also providing for the overhead items such as the national reservation system, security, and IT systems.

Mr. DENHAM. And to pay for it?

Mr. SZABO. President proposes that we pay for this—take roughly—of the $600 billion savings from the drawdown of the overseas conflicts, $300 billion of that would go directly to deficit reduction, $214 billion of it would go to the Transportation Trust Fund, and out of there we would take the $40 billion that we need for a strong 5-year rail reauthorization program.

Mr. DENHAM. Thank you. And on the capital investments, how much of the capital investments are you looking at for track, new track, or track upgrades versus new trains versus bridges and stations, positive train control——

Mr. SZABO. Yes.

Mr. DENHAM [continuing]. How much of it is going to debt?

Mr. SZABO. I can give you that drill-down for the record. We can provide that for the record. But essentially, what we have looked at, we have accumulatively, you know, taken a look at what all of those capital needs are. And so we can provide you a more detailed breakdown for the record.

Mr. DENHAM. Thank you. Look forward to seeing that. The 2009 transitional assistance. PRIIA has been in place for 5 years now. Obviously, we are very anxious to get a new PRIIA reauthorization. But back to the 2009 transition assistance, what States are requesting assistance right now?

Mr. SZABO. Virtually all of them. I can provide for you the list that has come in. But there have been several individual States that have requested help, as well as broader——

Mr. DENHAM. Do the States not have it in their current budgets?

Mr. SZABO. It is a challenge for them. It is a serious challenge——

Mr. DENHAM. It is a challenge for the entire Nation. We have increased our debt by a huge amount.

Mr. SZABO. Yes.

Mr. DENHAM. But the States, under 209, have each put it into their current budgets. So my question to you is, if they have got it in their current budgets, why would, after a 5-year transitional period, after 5 years of PRIIA in place, why would we now reauthorize PRIIA with an additional transition assistance? I am sure they would like the additional revenue. I am sure they would like to have a number of different revenues from the Federal Government. But this was an agreement 5 years ago. Why would we extend new monies for States that are already budgeting in their current budgets?

Mr. SZABO. Chairman, at this time there are, in fact, States that have not budgeted the appropriate dollars to maintain their cur-

rent level of services. And so there are States that—where service is at risk if some form of funding is not found.

Mr. DENHAM. We would like to see a list of those.

Mr. SZABO. Very good. We can provide that.

Mr. DENHAM. Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, Mr. Chairman. And on the same line of questioning is, what would happen if they do not pay for some of those services? What would happen to the rail line?

Mr. SZABO. The service goes away. You know, in this—under PRIIA Section 209, the responsibility for that corridor service becomes the State's responsibility. And so, if the State cannot pay, you know, for their service, their service would have to disappear.

Mrs. NAPOLITANO. And is this something they are aware of, and are—have you notified them? Is this part of the incoming budget?

Mr. BOARDMAN. It is my responsibility to notify them, and that will happen next week.

Mrs. NAPOLITANO. It will happen?

Mr. BOARDMAN. Yes.

Mrs. NAPOLITANO. But would you mind sending us a notice so I can follow it up in my own area?

Mr. BOARDMAN. Certainly.

Mrs. NAPOLITANO. Thank you. Both of you, California has three of the top five busiest Amtrak corridors, and they are all State-supported service routes: the Pacific Surfliner, the Capital Corridor, and the San Joaquin. What does the budget, the Administration's budget for these services, how will the Administration, Amtrak make sure that the State-supported routes continue to pay their—what are you going to do?

What is it that you are going to convince the States to pay their fair share? Because some of them apparently do not. And how will they be forced to do that fair share? Will you diminish the amount of service, or will you just totally say, "Sorry, you are not paying your fair share"?

Mr. SZABO. Yes, the fair share allocations actually were addressed under PRIIA. Under PRIIA Section 209, Amtrak, with the assistance of FRA and all of the States, was required to come up with a methodology, an agreed-to methodology, that would fairly allocate the cost and expense among the States. And in a consistent basis. So this way, every State would pay their fair share, based on the level of service that they chose to operate.

And so, ensuring the implementation of 209 is the, you know, surest way to ensure that consistency. It is one of the reasons why our program proposes the transitional assistance to the States, to make sure that they have the ability to absorb this burden.

You know, and then, of course, through the second part of our reauthorization proposal, the Rail Service Improvement Program, States would have the opportunity then to apply for the grants on a competitive basis for those service improvements that they would like to make.

Mrs. NAPOLITANO. Thank you. Then another question is the Highway Trust Fund is exclusively financed by highway users. This is what our opponents have continued to argue, that this is something they have a problem with. But that is no longer the case. But the—Congress appropriate a billion revenues from the

Highway Trust Fund. How can for-profit corporation effectively plan for the future when it does not know how it will be funded on a year-to-year basis? And does the current way of Amtrak financed end up costing the taxpayer more money? And what suggestions do you have to move forward with respect to this funding?

Mr. SZABO. I will let Joe, in a minute, comment on the effects that it has on his organization in trying to plan, you know, in an environment where there is no consistency. But one of the most important reasons why we are proposing a 5-year reauthorization, and why we are proposing that a rail fund be created inside a broader Transportation Trust Fund, is to ensure that we can put rail on parity with other modes like highways and aviation, and actually allow Amtrak and allow States to do good, long-range planning.

You know, the surest way to ensure, you know, success is to have predictability and to be able to plan for it. And so that is part of the reason why we believe it is so important that there be a dedicated trust fund.

Mrs. NAPOLITANO. And we agree with you. Mr. Boardman, the Passenger Rail Investment Improvement Act authorized the Secretary to finance the early buy-out options in your leases to reduce the overall debt. How much did you save, and thus save the taxpayer, the Federal Government? How much would extending that authorization save Amtrak and save the taxpayer money?

Mr. BOARDMAN. We think right now, for—we have got for 2014 to 2019, there is a cost to do this of a little over a half-a-billion dollars, $572 million, with a net savings in the cost of $393 million. So, going forward, we see a real potential here, even just in fiscal year 2014. What we are requesting right now is to do a leveraged buy-out of nine leases, costing $197 million. And that savings would be $107 million.

Mrs. NAPOLITANO. Thank you very much, Mr. Chair. I look forward to a second round.

Mr. DENHAM. Mr. Shuster.

Mr. SHUSTER. Thank you, Mr. Chairman. Mr. Szabo, I want to start with you. The 209 funding that you are providing, it seems to me the surest way for the States not to come up with the money is for the Federal Government to say, "Oh, we are going to have this fund out here for you, so you are not going to have to come up with it." What would be the incentive for a State to come up with those dollars if the Federal Government is saying, "Don't worry about it, we are going to provide you that funding"?

I think that is the wrong approach. And in Pennsylvania—just so everybody knows, when Pennsylvania decided to keep over the Pennsylvanian—the Governor made that decision—the line that goes right through my district, and that was a decision by the State, and I think that that came up, they worked with Mr. Boardman to figure out the funding levels, and so they came up with it.

Again, far too often in the Federal Government—and we are going through this right now with sequestration—a 2-percent cut and the world is coming to an end. We have to make sure that Federal Government as well as State governments, everybody is rolling

up their sleeves, figuring out in these tough economic times, these tough budgetary times, how they are going to make ends meet.

So, again, explain to me why we think that is going to be helpful, and not hurtful, for these States having to make the reforms the need.

Mr. SZABO. Yes, your comments are fair, but let me say this. I think the key here—two things. The first one is I want you to understand we are not talking about funding transitional assistance for their entire financial burden. We are talking about—only talking about the delta, the increase in the burden that States are going to be facing.

Secondly, instead of this dropping on them all at once like an anvil, it comes back to what I said before of the ability to predictably plan. And so, a 5-year incremental phase-down allows them to do that, to make sure that they can get their budgetary constraints in order. They are going to assume the entire burden, but allows it just to be phased in in a little more fair or rational approach, rather than slugging them right in the face all at once.

Mr. SHUSTER. Well, again, they have known for some time now that this was coming. And so, again, I think States need to—if they are getting the service from Amtrak, step up to the plate. And again, I am just concerned this is going to just allow States to punt on this one and just wait until the Federal Government provides them with the funding.

Talking about certainty, PTC. I understand that it is going to be—very difficult for us to hit that timeline. So is the Administration looking at moving that date from 2015 down the road to allow for these folks to be able to purchase or develop the PTC?

Mr. SZABO. Only Congress can change the date.

Mr. SHUSTER. Well, I——

Mr. SZABO. You know, our responsibility is, in essence, to execute the requirements you give us. And as of right now, the requirement that we are obligated to execute is that deadline of 2015.

Now, we did issue our report to Congress last year that does itemize the list of challenges that the different rail carriers are facing. And I do believe that full implementation across the Nation is going to be very, very difficult, if not impossible to achieve by that 2015 date. We can see partial implementation.

And so, if you go back to our report, what we recommended is that Congress not in a carte blanche manner extend the date. But instead, give FRA the authority to grant extensions on an as-need basis, you know, based on a verified—you know, very verified and documented understanding of the challenges that a particular railroad might be facing.

Mr. SHUSTER. So you are in agreement that 215 is probably not going to be met by a significant number.

Mr. SZABO. Not fully implementation. Partial, yes.

Mr. SHUSTER. And final question for you, the Administration is proposing $190 million in grant funding to support freight rail projects. Given that the freights are investing record numbers, why does the Administration, especially at this time when our budgets are as tight as they are, why are you proposing those freight rail——

Mr. SZABO. A couple of reasons. First off, again, we want our reauthorization proposal to be viewed as one that is holistic. You know, understanding that this isn't about passenger rail, you know, it has got to be about the rail industry. And it is all intertwined.

There are certainly rail projects out there where there can be well-defined public benefits. And so we are talking about being able to invest in the value of those public benefits, not the private benefits. And I can give you some good examples, things like, in the past, the Heartland Corridor or Crescent Corridor, the intermodal operations that CSX and NS have invested in, projects like the Indiana Gateway, where, you know, there is just tremendous rail congestion that is affecting the movement of both freight and passenger trains in and out of Chicago through a very, you know, tight funnel there in Indiana, and has negative impacts upon the community.

And so, there are public benefits in these investments. And we would only expect our dollars to go in to matching those public benefits. We also believe that as the role that freight and passenger rail grows, there will be additional negative impacts upon communities.

And so, we believe that it is in the public interest to provide for community mitigation that eliminates some of those negative impacts on those communities and enhances safety: grade crossing improvements, underpasses, overpasses, things of that nature.

Mr. SHUSTER. And there will be a process, we will be able to see some transparency on where those——

Mr. SZABO. Absolutely. We would talk about a competitive grant process, and one that would provide full and complete transparency.

Mr. SHUSTER. I see my time has expired. Are we going to have a second round?

Mr. DENHAM. Yes, we will have a second round. We will actually be showing some slides on the funding of the different routes.

But I just want to clarify. In the budget we are continuing to have questions about this $300 million on the State corridors. That is a big disconnect from what we have up here. You are requesting $300 million, but State-supported routes is about $100 million, $85 million of what we expect. So where is the other $200 million for State-supported routes?

Mr. SZABO. I will get back to you on the record, Chairman, to make sure we have got a very clear breakdown for you.

But this is, again, holistically understanding both the capital, as well as operating needs that the States are now going to have to incur.

Mr. DENHAM. This is not my time, I just want to clarify, because that is a huge disconnect.

Mr. Boardman, do you have any idea of the——

Mr. BOARDMAN. Yes, I believe that Joe is probably right. There is a capital component of what they are talking about. So it would be operating, because the 305 committee, as a part of PRIIA, began to buy equipment and locomotives for the States.

Mr. DENHAM. OK, thank you.

Mrs. NAPOLITANO. Mr. Chairman, could I request that that be part of the record, to submit to us what the changes are, or what the distribution is?

Mr. DENHAM. Yes.

Mr. SZABO. Yes, definitely.

Mr. DENHAM. Mr. Nadler.

Mr. NADLER. Thank you, Mr. Chairman. Mr. Boardman, with respect to capital funding, the PRIIA authorized $6.7 billion in capital grants to Amtrak for fiscal years 2009 through 2013. The committee, this committee, worked closely with Amtrak on a bipartisan basis to determine appropriate authorization levels.

Unfortunately, congressional appropriators provided Amtrak with $4.7 billion instead of $6.7 billion, a shortfall of $2 billion. What impact did this shortfall in the appropriations have on Amtrak? And does shortchanging Amtrak result in more of a backlog which ends up costing us more, eventually?

Mr. BOARDMAN. Yes. I think, Congressman, that what happened always happens, and that is you do fall farther behind. Today, just in what we need to get done, we are in a backlog of about $5.8 billion.

But I think, more importantly—and I entered it in the record last time, so I don't need to do that again—is that it has been all documented now at $52 billion. The number used to be $40 billion. It is now——

Mr. NADLER. What is $52 billion? I am sorry.

Mr. BOARDMAN. $52 billion to really bring the Northeast Corridor to a state of good repair.

Mr. NADLER. So this $2 billion shortfall was for the Northeast Corridor?

Mr. BOARDMAN. Yes.

Mr. NADLER. And the—can you tell us what impact that has had so far, besides just a long-term piling up of more deferred capital?

Mr. BOARDMAN. We have been able to maintain our services through maintenance. But, as I said in my testimony, the continuing underfunding of what needs to be done will result in potentially slower speeds and potentially worse on-time performance, and just generally degrading the Northeast Corridor.

Mr. NADLER. Let me ask you one other question. I am more familiar with the New York City Transit Authority. The mean distance between failures today is about 170,000 miles. In 1976, after years of deferred maintenance such as Amtrak is undergoing now, that figure was 6,000 miles. We instituted a series of capital plans and got it from 6,000 miles to 170,000 miles. When it was 6,000 miles you couldn't go anywhere because the cars were breaking down all the time.

If we keep underfunding the capital needs of Amtrak, you are going to have to do deferred maintenance. Can you see anything like that happening over a period of time?

Mr. BOARDMAN. On equipment itself, we have a very strong program of rebuilding and maintaining reliability. But I do see a problem, especially on the infrastructure of the corridor, of maintaining it at the speeds that we really are operating now.

Mr. NADLER. So we have to slow the speeds?

Mr. BOARDMAN. Yes.

Mr. NADLER. Thank you. And also, the Disaster Relief Appropriations Act of 2013 provided Amtrak with $86 million in capital grants and $32 million in operating grants to address repairs related to Hurricane Sandy. I understand that Amtrak has decided not to accept the $86 million in capital grants because language contained in the Act would prohibit Amtrak from using any of its capital or debt service grants for operating expenses, including temporary transfer of such funds.

Why is this language a problem for Amtrak? And what impact will not being able to accept the $86 million have on Amtrak?

Mr. BOARDMAN. I think I tried to address that in slide 2 of my testimony. Where Amtrak really has been was in a situation where it had regularly—at least in four times in the last couple of years—used the capital funding to support the liquidity it needed to operate the railroad. There was a clause in the Sandy Bill that said we couldn't do that. So——

Mr. NADLER. Did that clause apply only to the $86 million, or to all capital funds?

Mr. BOARDMAN. Well, we saw it in the future as being all capital funds. But it did apply to the $86 million specifically, or that is the way we initially——

Mr. NADLER. So you didn't accept the $86 million because you were upset with the precedent that might inhibit your future use——

Mr. BOARDMAN. We actually didn't—we actually used capital funds for 2 days after this bill was signed. So we weren't really eligible for the $86 million at that point in time.

Mr. NADLER. Because you used it for operating for 2 days.

Mr. BOARDMAN. Because we dipped into the capital side. So we need a legislative fix in order for us to access the $86 million.

Mr. NADLER. When this was being considered by Congress, you were aware of it? And did you oppose it, this provision that said you couldn't use the capital for operating?

Mr. BOARDMAN. I believe we had discussions about it and were not happy about it. I don't know all the detail of that.

Mr. NADLER. And Mr. Szabo, Administrator Szabo, does this language cause concern for FRA?

Mr. SZABO. Well, it is certainly not prohibited by our grant. And understanding that Amtrak is a private corporation, it is actually somewhat a—the, you know, pooling of cash and floating of cash is a widely accepted practice in private industry.

Mr. NADLER. So you—so this language for Amtrak causes you concern?

Mr. SZABO. The language would cause us concern, yes, yes. We—you know, we believe that it is a practice that should not be prohibited, and that the $86 million is, you know, so vitally necessary for Amtrak.

Mr. NADLER. Thank you.

Mr. DENHAM. Thank you. Mr. Mica.

Mr. MICA. Thank you. Again, we have made some progress in accounting and some progress in paying down debt and lessening some of the subsidies. But I am still concerned about the size of the losses.

Mr. Szabo or Mr. Boardman, can you tell me from last year what the loss was on food service? I go back to my McDonald's illustration.

Mr. BOARDMAN. I will provide a written response——

Mr. MICA. No, I want—no one has a clue as to how much we lost and——

Mr. BOARDMAN. No.

Mr. MICA. Do you have a clue?

Mr. SZABO. I prefer to be accurate——

Mr. MICA. Because you say you have got all these——

Mr. SZABO [continuing]. Congressman, so we will provide——

Mr. MICA. You said you got all these accounting awards and everything, and neither the FRA Administrator nor the Amtrak leader can tell us how much they lost in food service.

Mr. BOARDMAN. Nobody would ever give me an accounting award, but they did give that to Amtrak.

Mr. MICA. But it is a simple thing. We went from $83 million to——

Mr. BOARDMAN. I don't have the answer, Congressman.

Mr. MICA [continuing]. $85 million. Well, I would like that, because this cup of coffee, again, I can buy at McDonald's, they can make a profit. If it cost $1 on Amtrak, it costs the taxpayers $1.60.

And weren't you subject to some sequestration requirements in Amtrak?

Mr. SZABO. Yes.

Mr. MICA. Were you, Mr. Boardman?

Mr. BOARDMAN. Yes. Yes, we were, sir.

Mr. MICA. What was it, 5 percent or something?

Mr. BOARDMAN. I don't really remember the total.

Mr. MICA. Didn't you look for areas where you could cut your losses? Isn't this—$85 million——

Mr. BOARDMAN. Yes.

Mr. MICA. A lot of our figures have been—we could close down food service on Amtrak and actually save taxpayers a huge amount of money.

In fact, if you take the money that is coming in, which is—the 209 money will be about $85 million more, according to your chart, 209, the——

Mr. BOARDMAN. That is the expectation, yes.

Mr. MICA. Yes, yes. And we take the loss from food service. I mean we are in the $200 million range.

Mr. Szabo, you came here—well, first of all, we looked at the dipping in to the—if you look at the charts that were provided, it's kind of interesting, because Amtrak survives a lot on stealing capital for operating expenses, historically, at least with what you——

Mr. BOARDMAN. Well, it doesn't really steal. You put it right back again.

Mr. MICA. But——

Mr. BOARDMAN. If you look at, really, what was there, you were taking it out and you were putting it back——

Mr. MICA. Well, we are taking it from capital——

Mr. BOARDMAN [continuing]. To manage the cash. And that was what I was really trying to talk about. You had to have that cash management——

Mr. MICA. And it is kind of interesting. If you see the FRA grants—now, some—not all the grants were subject to the restriction we put on some of the transfer of capital money. Is that correct, Mr. Szabo?

Mr. SZABO. No. It is my understanding that the way the language is written, that it would prohibit the temporary float of any——

Mr. MICA. OK.

Mr. SZABO [continuing]. Capital dollars for the purpose of——

Mr. MICA. Well, I see these FRA grants—and this is your chart——

Mr. BOARDMAN. Oh, no, it is our chart. It is not——

Mr. MICA. OK. Well, somebody gave me the chart. It is showing the influx of FRA grants——

Mr. BOARDMAN. Well, that is when the—when we would receive money from the FRA——

Mr. MICA. But that was going on——

Mr. BOARDMAN [continuing]. Which would be dependent on whether——

Mr. MICA. Yes.

Mr. BOARDMAN [continuing]. Congress had passed the resolution.

Mr. MICA. And then this chart shows the use of capital to cover operating expenses. That wasn't just Superstorm Sandy, because we have March of 2011——

Mr. BOARDMAN. Oh, no. We do that on a regular basis.

Mr. MICA. September of 2011 there wasn't a superstorm.

Mr. BOARDMAN. That is correct.

Mr. MICA. March of 2012 there wasn't a superstorm.

Mr. BOARDMAN. That is correct.

Mr. MICA. So it is sort of a pattern.

Mr. BOARDMAN. Yes, it is. It is a pattern. We use it and do it on a regular basis.

Mr. MICA. May need—you may need some operational reserves, and that would be prudent business practice——

Mr. BOARDMAN. It would cost us more money to do that than the way we are doing it now.

Mr. MICA. Well, again, I look at some of the information provided and the calculations are a 4.5-percent increase in benefits and other costs.

Mr. BOARDMAN. Those are labor contracts, yes.

Mr. MICA. Well, shouldn't they be subject to, again, some reductions, in either reducing number of employees or——

Mr. BOARDMAN. We actually have reduced the number of employees. But not on the operating side. We did not—we chose not to cut service, because that is where our customers need——

Mr. MICA. What about on the management side?

Mr. BOARDMAN. It is on the management side that we have cut.

Mr. MICA. OK. If you can provide the committee—I am interested—at a time when, again, we have got trillion-dollar deficits growing, we are—you can't even get into the building here, one of the guards got me this morning, "Mr. Mica, we don't have enough people to service getting folks to their representatives." And we are paying a dollar—underwriting $1.60 for every dollar——

Mr. BOARDMAN. Well, I don't know that that is the case. That is the number that you testified to, but I don't agree with that.

Mr. MICA. Well, I don't—and no one seems to know, even with the accounting awards, at how much our losses are on a major activity. How are we doing on our credit cards? Can you use a credit card for all transactions now? Are we a cashless operation on Amtrak?

Mr. BOARDMAN. We are not entirely cashless. People can still use cash.

Mr. MICA. Oh, no. Please don't tell me that. I thought we—this is something we have asked for——

Mr. BOARDMAN. I think if you read a dollar bill it will tell you you can use it, but yes, we are still using——

Mr. MICA. Even with your mobile phone you can get a device now to charge things for people who do lawn work. And you can't—we still do not have common efficiencies in Amtrak. Yield back the balance of my time.

Mr. DENHAM. Thank you. Ms. Esty.

Ms. ESTY. Thank you very much. And thank you to my colleague for allowing me to go and then return to a markup where we have votes very shortly.

So, one just quick question, Mr. Boardman, as a frequent user of the Northeast Corridor—and I want to thank Mr. Nadler for asking a couple of the other questions that are of particular concern to us here. Section 212 of the Passenger Rail Investment and Improvement Act requires that the Northeast Corridor Infrastructure and Operations Advisory Commission—requires them to develop a formula for compensating Amtrak for commuter rail usage of the infrastructure facilities and services in the Northeast Corridor. Amtrak is then required to work with the Northeast Corridor States to implement a new agreement based on the formula.

Can you tell us what the status is of Section 212, please?

Mr. BOARDMAN. Yes, ma'am. We have had a regular working group going on at the commission, looking at how the methodology for providing those dollars would go forward. We are expecting a report out from the commission in, we hope, the spring. It may be summer before that happens. But we are working right along, as required.

Ms. ESTY. Thank you very much. Be very eager to see that, as I know my Governor is very eager to see it, as well. Thank you very much. And thank you again to the chairman and to my colleagues.

Mrs. NAPOLITANO. Would you yield, Ms. Esty?

Ms. ESTY. I yield back the balance of my time.

Mrs. NAPOLITANO. Would you yield to me? Thank you. Mr. Mica wants the cashless system, which means credit cards. Credit card companies do charge retailers, including Amtrak, fees for using them, which costs the taxpayer. How, then, is this going to save money? Or does it cost Amtrak additional money?

I know you were talking about it costs more money to do it the other way, versus what you are doing now. Please explain the difference.

Mr. BOARDMAN. Well, we do have a pilot program going on right now with a cashless—in an effort to look at how a cashless system

would really work. But we have not eliminated all the cash requirements at this point in time.

The debt cards don't have all those same charges, I don't believe, but this is not an area I am a real expert in. There is going to be a demand for the future. Somebody told me that, "It is you old Baby Boomers are the ones that carry cash around in your pocket. It is not us Millenniums and younger." So there really is a demand for it, as well. That is how people do pay for things today. So we are trying to accommodate our customers.

Mr. SZABO. And, Congresswoman, if I could make a comment, too, this is one of the important reasons—going back to Congressman Mica's concerns, one of the biggest reasons why we think it is important to now take a look at Amtrak by the individual business lines we would require a 5-year business plan from them for each one of their business lines. And in that business plan we can start talking about costs associated with things like food service, and better understand what is the plan to achieve better efficiencies.

And certainly technology will likely be a part of that. It may not be the entire solution, for the very reasons you and, you know, President Boardman have discussed of meeting the needs of all of the traveling public, as well as the potential costs involved, both capital as well as operating, in just going entirely cashless.

Mrs. NAPOLITANO. Well, but how much does it cost Amtrak when a credit card is used? Every time.

Mr. BOARDMAN. I will get a response to you, a written response to you.

Mrs. NAPOLITANO. Would you? Because that adds up. I mean as many employees you may have, as many services you might need, then that would add up if—every time you do use your credit card. Whereas the cashless, do you pay by check or do you pay actual dollar bills?

Mr. BOARDMAN. We will give you a good——

Mrs. NAPOLITANO. Thank you, appreciate it.

Mr. BOARDMAN [continuing]. Detailed response.

Mrs. NAPOLITANO. Thank you very much. Thank you, Mr. Chair.

Mr. DENHAM. Mr. Webster.

Mr. WEBSTER. Thank you, Mr. Chairman. I have a question for Mr. Boardman. Do you do market share studies?

Mr. BOARDMAN. Absolutely, yes.

Mr. WEBSTER. Florida, which is where I am from, we have millions of people—in fact, probably 100,000 a day—come to my area from just internal to United States. Is there a—do you have any plans for increasing your market share there, and possibly maybe even creating a better revenue source?

Mr. BOARDMAN. I recently went down and met with Secretary Prasad and discussed how we might be able to provide additional services. And so we are in discussion right now with Florida on what they would like to have us do, especially along the east coast. But we haven't arrived at any agreements at this time.

Mr. WEBSTER. Yield back.

Mr. DENHAM. The Administration 2014 request proposes, Mr. Szabo, to fund Amtrak through lines of business, Northeast Cor-

ridor, State-supported routes, and long-distance routes. What is the benefit that FRA has in allocating funding in that manner?

Mr. SZABO. According to the business lines, really, a couple of things. We believe that it just provides greater transparency, it allows for more accurate accountability, and we really feel it allows us, as the Federal Government, to better understand just what services that it is that we are purchasing from Amtrak.

Mr. DENHAM. And I think it is important that we do separate them out that way. But followup would be the operating costs versus capital. It goes back to our question on the $300 million on the State corridors. If the current 209 funding is at $100 million, why wouldn't we separate it? Or why isn't the Administration separating out the operating costs versus the capital expenditure cost?

Mr. SZABO. You are talking about for the State-supported service? I mean, actually——

Mr. DENHAM. Well, I'm talking about all lines. I mean, obviously——

Mr. SZABO. Yes, yes, yes.

Mr. DENHAM [continuing]. Northeast Corridor still has——

Mr. SZABO. Yes. I mean, clearly, strong estimates were put together in both operating as well as capital needs in the preparation of the budget. But it really would come back to the preparation of that 5-year business plan in better understanding what will be Amtrak's operating and capital needs, based on that business plan, in each of the next 5 years.

So, it allows for some elements of flexibility, again, to make sure that we are getting the maximum value that the public should expect for the services we are buying.

Mr. DENHAM. And I would like to put up a slide quickly here, as I utilize the rest of Mr. Webster's time. Northeast Corridor profits up 143 percent, likely to continue to increase, continue to do a better and better job on the Northeast Corridor, very profitable, more and more people riding it. State-supported routes, we are doing a much better job, losses are down 24 percent. Federal share will continue to drop. I know we still have that concern or question about what the asset piece of this is. But dropping another 62 percent.

PRIIA's Impact on Amtrak's Lines of Business

Performance since 2010

- **Northeast Corridor**: profits up **143 percent** and likely to continue to increase.

- **State-Supported Routes**: losses down **24 percent**, and federal share will drop by another **62 percent** when States start paying their fair share in 2014.

- **Long-Distance Routes**: losses are **up 11 percent**. PRIIA had no impact on reducing long distance loses.

The big question is the long-distance routes. Losses are up 11 percent. PRIIA had no impact in reducing those losses. The question is on the long-distance routes. Actually, let me—Mr. Boardman, let me ask you. Can Amtrak continue to afford increased losses in long-distance routes?

Mr. BOARDMAN. I think that is up to Congress.

Mr. DENHAM. Well, what procedures or mechanisms would you put in place to reduce those losses?

Mr. BOARDMAN. I think that it is very difficult with the way that we operate our business model on the long-distance trains to ever make it profitable, because you can't get enough people on the train to make that really happen.

I think where Congress has been on this, right from the beginning, is that it is a common good for the United States, a connectivity and mobility of coast-to-coast and border-to-border service. Even if you charged a greater amount than the $9.50 that Mr. Mica talked about earlier for a hamburger and a bag of chips, you are still not going to get the kind of revenue that you really would be looking for on some of these long-distance trains to really make this happen.

There has to be an understanding that maintaining the connectivity and the mobility by Congress is a common good. If that is not understood, this will never continue.

Mr. SZABO. And, Chairman, if I can add to that, I mean, first off, we believe that it is very important that rural America not be disenfranchised by, you know, eliminating this very necessary service for them.

But we believe one of the strengths in our proposal, by having the separate business lines, requiring the preparation of 5-year business plans for each of those business lines, and again, making the appropriate capital investments—it is a critical part of it—to both infrastructure and equipment to make sure that this long-distance service is as safe, reliable, and efficient as possible, allows us to take a look at where we can achieve additional efficiencies through that business plan.

You know, we should not suffer any illusions that we are ever going to make a profit on long-distance service. Clearly, on the corridor an operating profit can be made, and I think you are going to continue to see significant growth in State services.

So the goal with long-distance, and I think we share this——

Mr. DENHAM. I understand the goal. I am out of time. I understand the goal. Do we subsidize——

Mr. SZABO. What we have to do is——

Mr. DENHAM. Do we subsidize the long-haul bus routes?

Mr. SZABO. Well, you are seeing all that service fade away, sir, which is what is making the long-distance——

Mr. DENHAM. Is there a Federal subsidy to United Airlines, or any of the airline companies?

Mr. SZABO. I think you could argue that actually there is, if you take a look at the entire transportation picture that every mode is subsidized in one form or another, including the bus routes, which are getting free use of a federally subsidized highway system. And, in the meantime, all of this bus service to rural America is going

away, leaving Amtrak as the only alternative for these rural communities.

Mr. DENHAM. Thank you. Time has expired. Mr. Cummings?

Mr. CUMMINGS. At some point, it seems to me, that what you said, Mr. Boardman, about connectivity and coast-to-coast transportation is something that all of us should strive for.

You know, we can keep cutting and cutting, and you will end up with zero. And I live in an urban area. I have lived there all my life, and I will die there. But I will fight like hell for somebody in rural South Dakota or wherever to be able to have access to transportation.

Now, there are several issues here, and one of them is this whole idea of competition. And I am convinced—see, you know, the—on the one hand you have got a goal, I guess, of trying to have transportation all over the country. And then you have got the Northeast Corridor doing a great job, I guess sort of subsidizing. Is that right?

Mr. BOARDMAN. That is correct.

Mr. CUMMINGS. The others. But do you think—I keep hearing these, you know, complaints about we need more competition, and that will help matters. And there is probably some truth to that. But, I mean, what is your reaction to that, Mr. Boardman?

Mr. BOARDMAN. I have a couple reactions. And one of the things, if you will permit me for just 1 second——

Mr. CUMMINGS. Yes, sure. I only got 3 minutes and 20 seconds, but go ahead.

Mr. BOARDMAN. When we talk about profitability on the Northeast Corridor, for example, and 143 percent was put up on the screen, it is, I think, sometimes very difficult to understand that is only operating. That has nothing to do with capital. If you added this book or even part of it, or even the existing capital that we have in there, you would see numbers worse than what you see on the long-distance trains.

And with long-distance trains, at least part of the cost is capital, because we are operating on the private railroads' line. And a huge part of the cost for us, and what we look for, is what we pay the freight railroads to provide that service. So, we are not really comparing apples to apples in the way that I know that we really want to.

In terms of your question, though, about competition, and what does it mean—and Mr. Mica's gone. It wasn't Margaret Thatcher who privatized the British rail. In fact, she said that it was a privatization too far, and it wasn't something that she was really going to do.

And one of my big worries and concerns here is that what the concept may be in reauthorization is we can split out the Northeast Corridor, privatize the Northeast Corridor, and then operate or not operate the rest of the country. This is a network operation. We bring over a half-a-million people a year into the Northeast Corridor from the long-distance trains. That is 1,300 and some odd people a day. That is 40 busloads of people that are being brought into the Northeast Corridor.

Mr. CUMMINGS. And it is also our constituents.

Mr. BOARDMAN. That is correct.

Mr. CUMMINGS. Let me ask you something, real quick questions. Amtrak now carries 75 percent of travelers between New York and Washington, DC. All of them travel through the Baltimore and Potomac Tunnel under the city of Baltimore, where I live. As you know, this tunnel is a bottleneck on the Northeast Corridor, and is in desperate need of repair. The American Recovery and Reinvestment Act provided $60 million for the development of a new tunnel alignment, as authorized in the PRIIA legislation.

Can you give me an update on the status of this project, how far along we are in developing a new rail alignment? Further, once the alignment is identified, do you have any estimate of how much construction of that alignment would be actually—would actually cost?

Mr. BOARDMAN. Yes, we can. And we can do that, basically, Mr. Cummings, because of this report. If you open to page 20 on the report—and I think I gave every committee member a copy of this—what you find is that we are in the preliminary engineering and environmental analysis phase, which is a good thing. Because if you look at a lot of the other projects in here, they are not along that far.

And what that is going to allow us to do, then, with funding from Congress, is to get to final design, and then we will know what it is really going to cost us to replace these tunnels. Right now the estimate is $1,500,000,000 in this report. So we are making progress, and we appreciate the support we have gotten from you and from others that we can make that progress.

Mr. CUMMINGS. And with regard to the—our—Penn Station, what funds are currently available to Amtrak to support station modernization?

Mr. BOARDMAN. I don't have the number with me, but I will respond to that in writing.

Mr. CUMMINGS. Well, we will send it to you in writing. Thank you, Mr. Chairman.

Mr. DENHAM. Mr. Bucshon.

Dr. BUCSHON. Thank you, Mr. Chairman. Mr. Szabo, as you know, the Highway Trust Fund has not met the financial requirements for our infrastructure for quite a number of years, and has required other money to be appropriated from other areas of the budget to meet those needs.

And I see the Administration proposed funding Amtrak by rolling it into an expanded Transportation Trust Fund funded by what is—and maybe I am ignorant to this, but financed with mandatory contract authority and discretionary obligation limitations. As you know, we already have a transit system in our cities that is part of the Highway Trust Fund designated funding stream, and we can't keep up with that, partially because they don't contribute to the Highway Trust Fund.

So, I am just interested in why the Administration thinks that this is a good idea, other than taking away the discretionary process from Congress for Amtrak. And be more specific about how you think we can bring more money into what the Administration is calling an expanded Transportation Trust Fund.

Mr. BOARDMAN. Sure, sure. First off, Congressman, I think it is really important to note that with the establishment of the Transportation Trust Fund we are not—absolutely not—talking about di-

verting any of the existing revenues that go into the highway or transit program. We are not proposing that any of those be diverted for rail. But we are, in fact, recommending that rail become a part of a broader Transportation Trust Fund.

You know, recognizing the fact that we have to look at transportation holistically, multimodally, and start positioning ourselves so that whether it is moving people or goods, we can use the mode that happens to be most efficient for a particular journey. And so, rail, both passenger and freight, has clearly been the underutilized mode. And so we have to give a parity with the other modes.

And so, that is why it is important that it become a part of the trust fund. The funding for our 5-year reauthorization proposal comes from the $600 billion savings from the overseas drawdowns, allows $300 billion of that immediately to go to deficit reduction, and then takes $214 billion to go into the Transportation Trust Fund to fully fund the highway piece through the year 2020, and transit, and allow the $40 billion that we are requesting for rail reauthorization for our 5-year program.

Dr. BUCSHON. So using the OCO funds, so-called OCO funds, Offseas Contingency Operation funds, obviously here in town we have tried to use that for almost everything possible.

As you know, we are planning to draw down anyway. So in my view it would be like saying, you know, that I plan on buying a $40,000 car next year. And then, when next year comes around, I say, "Well, I have decided not to buy the car," and all of a sudden my bank account has $40,000 in it because I didn't actually buy the car.

So, I just—my point is that, you know, we already have trouble funding the Highway Trust Fund, based on the current funding stream through the Federal gas tax. I am a little skeptical that, with the proposal from the Administration, that we wouldn't just get ourselves in a pretty significant bind. And it is really theoretical money that really doesn't exist, because we are broke.

And so, I was just curious. Like I said, other than taking away the annual or how many ever years we appropriate money to Amtrak, or authorize money for Amtrak and then appropriate it annually, other than taking that away from Congress, what would be the benefit of putting Amtrak into an expanded Transportation Trust Fund?

Mr. BOARDMAN. Predictability. It not only comes back to the parity that I talked about, but predictability. For the first time with rail, we would be able to make long-range plans and predictably invest, just as we have been able to do now for, what, seven decades for highways and roads, and you know, certainly several decades for aviation and transit. And so, again, it comes back to the need to give rail parity with the other modes, allow us to balance our transportation network.

And, you know, in life all of us have to make priorities and choose. And it doesn't mean necessarily one thing or the other. It means doing two or three things over here, and not doing three or four things over here. And so, taking the $600 billion in savings, directing $300 billion immediately to deficit reduction, and funding transportation with $214 billion we believe are appropriate priorities. It helps us get our house in order, both from a deficit reduc-

tion standpoint, as well as making the very necessary upgrades to our transportation network, particularly for rail.

Dr. BUCSHON. Thank you very much. I yield back.

Mr. DENHAM. Thank you. Ms. Brown.

Ms. BROWN. Thank you. And hello, Honorable Szabo. I have not seen you in a long time. And Mr. Boardman. I have a couple of questions.

Let me just say I was watching the news recently and I saw that Amtrak ridership was up. It was a big story. So can you give me some in-depth information about it? Because it is very exciting for me to know that people are riding the train. And we understand that we in Florida are not just competing with Alabama and Mississippi and those other nice States, but we are competing with the Chinese that have put $350 billion into rail. And we are just trucking along. You know, we are the caboose, and we don't use cabooses any more. So would you just give me some updates? I am very excited about it.

Mr. BOARDMAN. I——

Ms. BROWN. And I am one Member, and I am probably the only one, that would not put a dime of the savings into deficit reduction. That is a long-term problem. I would put every dime into infrastructure investments. That is my position, but I am not the President and I am not the only Member of Congress. But no, that is my position. I want to grow the economy. I want to invest in infrastructure.

We used to do that. We used to do it on a bipartisan method here in Congress. And I hope we can get back to it. We want to put people to work. So that is my opening statement, Madam Chairman and Mr.—and my question, I told him. Tell me about two things. Tell me about that big news story I saw on television.

Mr. BOARDMAN. We have been—Congresswoman, it is good to have you here.

[Laughter.]

Ms. BROWN. I was at the VA.

Mr. BOARDMAN. You always ask me the question, and then you take me on another trip.

One of the things that I think that are—I don't have all the numbers in front of me, we would be happy to give you all the numbers—but we are setting records that we have had the greatest ridership on record for March in our history. For any month that Amtrak has operated.

Why and how are we doing that? Well, I would like to think we are meeting our customers' needs. Their wants, their needs, their expectations. We are also managing our revenue. We are managing what we do for making equipment available, so we are maximizing the number of seats that are available, we are increasing our capacity in every way that we can. We are looking for ways to make sure that we are reducing the cost to the Federal Government for the services that are out there, whether they be capital investments or whether they be operating investments.

So, it is really that foundation of safety, the focus on the customer, and then we see something better on the bottom line.

Ms. BROWN. Would you talk about Hurricane Sandy? How are we recovering from that?

Mr. BOARDMAN. We recovered a lot quicker than anybody expected. We pushed very hard. We were open again by the second night going into New York City. And within 3 days we were open again to Boston, because it was at a critical time for us to move for Thanksgiving, which is our greatest ridership and revenue in all the year.

And what we found was even though the original projections were we were going to lose more, we actually began to recover quickly. So we are recovering what we will have lost, to the largest extent, because of this increase in ridership and revenue. We still had a problem in a short period of time, and we don't have the capital to fix the problems that we had during Sandy.

Ms. BROWN. Can you tell us the importance of dedicated funding source, and what would it do for passenger rail in this country?

Mr. BOARDMAN. I think it would stop us having to do these piecemeal investments. And I believe that all of you up there want to figure out a way to make that happen. I understand that. This is a difficult time in our Nation to figure out how to finance the things that we really need to do, and balance the transportation modes. I think that Joe and the Administration have really tried to look at this and put a reasonable foot forward on it. I think it is difficult on all of you to figure out how are we really going to make this happen.

Ms. BROWN. Mr. Szabo, I have got a few seconds. You want to add anything?

Mr. SZABO. Well, just that, you know, we continue to see rail as the mode of opportunity for the future. I mean you just take a look at the dramatic growth in passenger rail. And it is not just on the Northeast Corridor or in the State-sponsored service, but it is also on the long-distance network. And the more that we can ensure the safety, improve the reliability, and continue to achieve efficiencies, the more it is going to continue to grow.

Ms. BROWN. Thank you.

Mr. DENHAM. Mr. Boardman, we recently got the Brookings Institute's recommendations, the book that I had held up earlier, focusing on the Federal subsidies on the Northeast Corridor and the State-supported routes, and having States pick up more of the responsibility for money-losing long-distance trains.

How would Amtrak support such a structural change to how the long-distance trains are funded?

Mr. BOARDMAN. For the record, because you have put the report in the record, I think that the Brookings Institution was right in some areas. They are not right about long-distance trains. There is not going to be a compact of States that begin to finance long-distance trains.

States do not want—and, Chairman Shuster, in the discussion that led to the Pennsylvanian being resolved, there was an undertone all the time of the necessity or the lack of necessity that there was to actually get passengers to Chicago. That is not what Pennsylvania wanted to do. It wanted to get people from Philadelphia to Harrisburg, and then on to Pittsburgh. But they resented the fact that part of that train's function may really result in moving people in interstate service.

And I think that is part of the problem here, in looking at a compact of States. I guess the way I look at it, Chairman, is that we have one. It is the United States. And it is the United States who has to figure out how, for the common good, we are going to connect our Nation together.

Mr. SZABO. Just for the record, Chairman.

Mr. DENHAM. Mr. Szabo.

Mr. SZABO. The Administration would echo that, that when it comes to the long-distance network, we believe that compact of States is the United States of America. And so it becomes our responsibility to ensure that we have a strong, reliable, and efficient long-distance passenger rail network. We think the proposal that we have put forward gives us both the capital, as well as operating support that it is going to take to do that, that the more efficient that we can make—or I should say the more reliable we can make the system, the more efficient we are going to be able to make it.

Mr. DENHAM. Thank you. I have limited time, but I do want to just touch on that real quickly. The question is efficient. And whether you are talking about California high-speed rail or the Northeast Corridor, you start having to make tough decisions on the amount of stops that you have. The more stops that you have, the less efficient you are.

And the real question really becomes does a State need a stop if it stops at 2:00 a.m. You know, does that State then say, "No, make the rail more efficient. Don't stop here. We will bus people to the next State so that we can have that connectivity"?

Mr. SZABO. Let me answer that in two parts. I mean, first off, we really believe—and again, our proposal places a strong emphasis on this, that as we move forward, these decisions really have to be market-based. We have to do good planning, we have to do strong planning, and we have to make sure that States and regions, as they put their plans together, you know, understand the types and levels and frequency of service that are most efficiently going to meet their market needs.

When it comes to the long-distance network, you know, yes, there are some challenges with service hitting these communities at 2:00 a.m. and 4:00 a.m. It is kind of the nature of the beast. And I am sure those communities would argue that they would prefer to see service in the a.m. You know, but unless you are having a conversation about doubling service on the long-distance network, there is going to be winners and losers in that a.m./p.m. battle.

And for rural America, they are still going to tell you, Mr. Chairman, that they would rather have that service than not have any at all, because aviation is leaving these rural communities, intercity bus is leaving these rural communities. And rural America has to have some transportation options.

Mr. DENHAM. Thank you. It is certainly an area that this committee will continue to look at. But I think that warrants probably a hearing all of its own.

I did want to get back to the budget. Mr. Szabo, both the House and the Senate 2014 budget resolutions include no funding—no funding—for high-speed rail grants. Given that the reality of limited fiscal resources, huge trillion-dollar debt increases year after

year after year, even though this President said it is un-American to have increased debt, we continue to see $8 trillion of new debt.

I know the President's focus on fix-it-first. But if we are going to fix it first, why is the Administration again proposing billions of dollars of new high-speed rail projects, like in California, when there is $30 billion of backlog of capital projects on the Northeast Corridor? If we are going to fix it first, are we going to fix it, first?

The question is are we going to fix it first, or are we going to continue to throw more money at things like California high-speed rail, the Recovery Act, the stimulus dollars, $8 billion—and while I can appreciate Ms. Brown being willing to give Florida's money to Mrs. Napolitano, that money is still not being spent. So why increase spending in this year's budget for high-speed rail when we haven't even spent the money from 3 years ago that is still sitting in a pot?

Mr. SZABO. Well, actually, all of that money has been awarded and about $3.6 billion of the $10 billion is either construction that is completed, currently underway, or we will be initiating here in the next couple of months.

But going back to our budget proposal, a significant portion of it, it is all about—the top half of our proposal is all about fix-it-first. It is all about meeting the state-of-good-repair needs for the Northeast Corridor. So, we take into account all of those fix-it-first needs for the intercity passenger rail network.

But again, it comes back to having priorities. And we believe that rail is the mode of opportunity, has to be put on equal footing with other transportation modes. And because, as a Nation we have failed to invest in higher performing intercity passenger rail and high-speed rail, that these investments need to be made.

We have come forward with the funding plan, $600 billion of savings. These are real savings from the overseas drawdown, $300 billion immediately going to deficit reduction, $214 billion going into the Transportation Trust Fund to make sure it is solvent through—I believe it is the year 2020. And then it funds our 5-year proposal, the $40 billion that we are looking to take care of both the fix-it-first needs, as well as moving forward with investments.

Mr. DENHAM. Thank you. Mrs. Napolitano.

Mrs. NAPOLITANO. Yes. Just changing track, if you will. Your statement, Mr. Szabo, indicates that rail trespassing accounts for 63 percent of all rail-related fatalities. My district sometimes has more than one a year in rail crossings, whether it is railroad or Amtrak.

They could be preventable. I know the railroad has a program. But what investment does this budget make in highway rail safety improvements and education? And where are these workshops referred to being held? And what is it that we need to know to be able to take advantage or—because I do have a lot of rail in my area, to be able to tell my cities, my communities, my schools, that they can access assistance in being able to educate their youngsters and their families.

Mr. SZABO. Congresswoman, let me start by saying, first off, we are particularly proud that, by virtually every statistical measurement, this was the safest year in railroad history. But——

Mrs. NAPOLITANO. But it is still high.

Mr. SZABO. Exactly. And that is where I was going to go. And that includes grade crossing fatalities. But they are still way too high and, you know, a significant challenge for us. I will, for the record, get you the information on where the additional workshops are being held as a followup to the workshop that we held in St. Louis last year.

But an important component of our budget proposal, if you go down under the area for—it is titled, "Freight Capacity," which really isn't the best title. In there we are also talking about things for community mitigation that would include the ability to do some good work like the State of North Carolina has done in sealing their corridors, in closing off additional grade crossings and building additional overpasses and underpasses. The safest grade crossing is one that doesn't exist.

Mrs. NAPOLITANO. Well, I know in our area we are trying to include more grade separations, because of the——

Mr. SZABO. Yes, yes.

Mrs. NAPOLITANO [continuing]. Alameda Corridor, which could benefit the Amtrak.

Mr. SZABO. And that is the type of project that would also be eligible under that particular line item, things like the Alameda Corridor.

Mrs. NAPOLITANO. Well, there is a lot of issues with the—because we are such a community that is divided by avenues and boulevards, instead of long distances. So we really have a lot of contention when it comes to congestion, when it comes to rail crossings and all of that. The safety issue is great for us. So, I really would have a great need to be able to see how this is moving along. That is one area.

Then the other area would be to address track cost accidents. FRA has issued regulation—concrete ties. Is it all Amtrak usage, or is it just Amtrak-owned or State-owned? Because this really is an issue. We have had—well, not recently, but we had about five or six rail accidents in my area back a few years back. And a railroad replied back by doing replacement of some tracks because they were having hairline cracks in their rail. What about Amtrak?

Mr. SZABO. If I follow your question, the regulation on concrete ties would not mandate concrete ties to be used everywhere, but it does establish regulations for when they are used. And, obviously, there are freight scenarios where they are the safest and provide the best cost benefit to the freight carriers. They are certainly appropriate in higher speed rail operations like the Northeast Corridor. The work that is being done in the Midwest, much of it is being done with concrete ties.

An important part of our budget proposal is into research and development. And we have been doing some very good R&D that I am hoping to advance even further on track inspection.

Mrs. NAPOLITANO. With which university?

Mr. SZABO. I would have to get you that for the record. Actually, I believe there are a couple of them involved. But we are using laser technology now, or investigating laser technology that actually does a far superior job of not only detecting the flaws, but in hopefully, we hope, providing predictability in rail fatigue and help-

ing us better understand when it is going to fail, so it can be replaced in advance.

Mrs. NAPOLITANO. Well, I hate to tell you, but laser technology was being used on the rail tie that failed. And it wasn't as helpful as——

Mr. SZABO. Well, it certainly isn't the new technology that R&D is proposing now.

Mrs. NAPOLITANO. OK. Well, we would love to be able to have some of that information to be able to pass that on down.

There are other questions I will submit for the record, Mr. Chairman, but I thank you for allowing us to do this.

Mr. DENHAM. Mr. Shuster.

Mr. SHUSTER. Thank you, Mr. Chairman. Long-distance rail. And I know New Orleans to Los Angeles, Sunset, is probably the biggest loser we have out there. Is there a breakdown from where the ridership is? I am sure there is, but like New Orleans to Houston. Does it go to Austin or San Antonio? I am not sure where—San Antonio?

Mr. BOARDMAN. San Antonio.

Mr. SHUSTER. And then from Texas to Albuquerque, New Mexico. Is there a breakdown? I mean how many people are going from New Orleans to Los Angeles? I got to believe very few.

Mr. BOARDMAN. Yes. There is an awful lot of on and off traffic on the train. Maybe not so much on that particular one. That is not our biggest loser. Our biggest loser is the one that goes through Albuquerque. It is the Southwest Chief. That costs us the most.

Mr. SHUSTER. Where does it go?

Mr. BOARDMAN. It goes from Chicago through La Junta, Colorado, over the Raton Pass, to Albuquerque, and then on to L.A. So—and I have a chart, Chairman, and it was in the last hearing, where if you took the top six losers, you cut off all service to the west coast from Chicago all the way—anything that lost over $10 million a year.

Mr. SHUSTER. Right. It seems to me that these long-distance—you know, are the biggest problem. You know, refocusing, looking at them from city to city, is that something that is possible to do?

Because, again, at some point you are going to have to make decisions. We are going to have to make a decision. I believe we want a national rail system. But at this time, do we step back and focus on lines that, you know, city-to-city—New Orleans, the Houston, or whatever it is, and focus our efforts there? And maybe some of these for a period of time you step back away from them and suspend them—because I believe if we do this in the right way, organically this thing grows. We have tried to impose this on the Nation and it just doesn't seem to be working.

And we talk about rural areas. I come from a rural area. Everybody has got—98 percent of the people have cars. People aren't clamoring to get on trains and travel the United States. They have their other modes to do it. And I know we don't want to cut off rural—as you mentioned, air service is being cut off. But again, people have the wherewithal, the vast majority, to move about.

So, again, do you have an analysis on those city-to-city rides, and a breakdown——

Mr. BOARDMAN. Actually, people are clamoring to get on the trains, believe it or not. You can't get a bedroom, you can't get a seat many times in the summer time, because people do want to see the United States on the train.

And if you looked at—back to your Sunset Limited example for a minute—we operate that 3 days a week. We looked at operating it 7 days a week, and the freight railroad that was involved said, "OK, but it is going to cost you $700 million to do that, to get back on that route for 7 days a week." And that—therein, Chairman, is the problem with cutting back.

If you cut back, then what you are going to have when you go back to put it back in service, if you ever do? You probably can't afford to do so. You lose it. And that is the biggest difficulty here, is losing the whole shebang.

Mr. SHUSTER. All right. Well, you mentioned about people clamoring to get on trains. If they are clamoring to get on trains, then are we charging them enough money?

Mr. BOARDMAN. $900 for a bedroom. We are really charging them a lot of money. And I didn't mean to cut you off. It is just we have a very high rate to do this. But you have got few people that can get on that train.

And you are not going to want—your freight railroads, if all the sudden you proposed to put another train out there, would be very negative on that. And I don't think that is what we want to do. We want to get them on the railroads and off the railroads as quick as we can.

Mr. SHUSTER. Because when I talk about charging enough money, I ride the Keystoner frequently to Harrisburg. And every time I do, my little back-of-the-envelope analysis, they charge me somewhere between $29 and $39 one way. So, you know, $58 to $79—$60 to $80 round trip. When I do the analysis, I don't think we are charging enough on those trains. And I know—the Governor of Pennsylvania decides on rates, is that accurate?

Mr. BOARDMAN. We work with Pennsylvania on that.

Mr. SHUSTER. That sound right?

Mr. BOARDMAN. But it is something they probably want to charge more for in the future.

Mr. SHUSTER. And I guess it is getting close to break-even, what we have done there in the Keystone. Is that accurate?

Mr. BOARDMAN. Yes, I don't know. Depending on break-even operating——

Mr. SHUSTER. Operation, operation.

Mr. BOARDMAN [continuing]. The capital.

Mr. SHUSTER. Yes, operationally. So, again, and we need to look at those kinds of things. Because, again, I do an analysis and figure $100 for a business traveler being on the train, productivity, eliminate the headaches to get in and out of Philadelphia or New York or in the corridor. So I think those are things we need to really look at.

You mentioned, too, that there is not a significant number of people on these long-distance trains—what kind of increase would you have to see to move the needle to see significant reduction in the cost?

Mr. BOARDMAN. I think what you are asking for—and we will give it to you—is an analysis of the long-distance network, and the way that it could operate or not.

Mr. SHUSTER. Right. And I see my time has expired, but finally, you know, I think you said there is $10 billion—when the chairman was asking you about the money that is not spent, you said $3.5 billion is spent.

I still think we have to take a real hard look at what we are doing in California. I mean it is not in my lifetime that they are ever going to come up with the money to build a high-speed rail from San Francisco to Los Angeles because that State is in bad fiscal condition. But redirecting that money—and, of course, I would make the case, and maybe offending my California friends, that that money going into the Northeast Corridor would be a huge benefit. And 5.2—it is about two-thirds of your backlog that you have in the Northeast Corridor.

But even if I back off of that—I see Mr. Denham is lighting up the little—if you took that $3.5 billion and you put it into the San Diego-Los Angeles system, or the San Jose-San Francisco, I am told by those folks that operate those trains in the transportation world there, that would be significant reduction in time from San Diego to Los Angeles. And if any place in the world needs help to reduce congestion, that is the Los Angeles and San Diego leg or the San Jose-San Francisco leg.

So, I hope that is something that we look at, because that is $3.5 billion that they may build that length through the Central Valley, but $60 billion more is just—to me—I think it is going to be a complete boondoggle——

Mr. SZABO. I will just say this, Chairman. We remain both committed and bullish on the California high-speed rail project. And one of the reasons why in our budget proposal, you know, we are calling for additional planning dollars is to make sure that we can continue and complete the Northeast Corridor future study, which is going to be imperative, so they are both eligible and ready for future investments.

And that was the biggest challenge 4 years ago, because the States hadn't come together on a unified vision because good planning hadn't been done on the Federal level or the State level. They really weren't well positioned for the type of investment that you are talking about that is so necessary to allow that to become the shining star that it can be.

You know, it is great service today. But there is no question that we can make——

Mr. DENHAM. Mr. Szabo, I am going to have to cut you off, and—Mr. Shuster went way over his time, and I am trying to run a tight ship. And Ms. Brown has been very patient. She and I are going to be traveling quite a bit across the Nation, and I need to stay on her good side. So, Ms. Brown?

[Laughter.]

Ms. BROWN. Thank you, Mr. Chairman. I guess you didn't think about that when you mentioned the fact that we sent $3 billion to 18 other States that the legislature and the people of Florida had indicated that they were all on board and all supportive, and 1 person—the Governor at the time—sent that money back to the Fed-

eral Government. And over 200 stakeholders came to Washington on plane, rail, and everything else to try to get our money, and 18 other States got the money and put people to work.

But let me just say something else. We did have an election. And I don't know what it means to anybody, but I think the President won. And I think some of his proposals should go through. I mean maybe I am by myself. But I do think some of his proposals should go through. And when I sit here and listen to people talk about transportation, I guess I am the only person in the room that remember when we had Katrina over 3,000 people died because they couldn't be moved out of harm's way. Over 3,000 people. They couldn't be moved.

So, we need to think out of the box, like the rest of the world. Think out of the box. How are we going to move our people out of harm's way? How are we going to continue to do that? It is not just how much it costs. What is the cost of life? What is the cost of service?

We—Mr. Boardman did not reinstate the Sunset Limited on the other side. I have had two meetings with the mayors, elected officials from New Orleans to Orlando that is interested in reinstating that system from New Orleans to Mobile to Pensacola to Tallahassee to Jacksonville and Orlando. That is a lot of interest in reinstating that area. How do we work with the local officials when you have Governors that have their head in the sand, or think like some of my colleagues that, I guess, everybody should have a car. Well, those people in New Orleans did not have cars.

And now, if we have another hurricane, how we going to get them out of harm's way? That is—remains the problem. We need to continue to think out of the box. How we going to move our people if we are attacked? It can't happen the day that the attack occurs.

Where are we—I know we did a study on the Sunset Limited. I have a meeting scheduled in July with all of those elected officials coming to Jacksonville. We are very interested in reinstating the Sunset Limited. And we know what was the problem. It wasn't that the people didn't want the services, but the freight rail interferes. And so you are arriving in New Orleans 2:00 in the morning. That is the problem. We need a direct from—and you can call it anything you want to—starting in New Orleans to Orlando, destination to destination.

All right, Mr. Boardman.

[Laughter.]

Mr. BOARDMAN. We did do the study, Congresswoman. And, as you know, our requirement on that particular study was to bring it back to Congress and ask Congress to fund it.

Ms. BROWN. Congress?

Mr. BOARDMAN. Yes.

Ms. BROWN. Oh.

[Laughter.]

Mr. BOARDMAN. And that did not happen. So we didn't progress.

Ms. BROWN. What is the possibilities of doing—you know my colleagues always talk about outsourcing or partnering or—there are other people that is interested in participating. What is the possibilities of us doing that?

Mr. BOARDMAN. We are always interested in working with our partners, and certainly working with you. In the end, though, we always come back to the dollars that it takes to get the job done. And I think that is what we have all been talking about here today is how are we going to do that. And we are certainly interested in it, but we have to have funding to make that happen.

Ms. BROWN. There are people that would be interested in just cutting out the long-distance so those people in rural areas would have absolutely no service, whether it is rail—that is the only service they have now—I have forgotten the number of cities that is the only service they have—they don't have airplanes, they don't have buses. What—I mean I guess they don't want mail for them, either. I mean it is the United States of America.

Mr. BOARDMAN. I agree with that. I agree.

Ms. BROWN. I am not through. What I want to know is—back to this budget, I see the President's recommendation on this budget, $214 billion for infrastructure for the shortfall, and $40 billion for rail infrastructure. Is that going to be a grant-type program, what we already have, wherein the Federal Governments put the grants out and the State come in not with the Congress—I guess the Administration actually administers it—and we get all upset when we don't tell—when the States don't do what we want them to do.

Mr. SZABO. Yes. Congresswoman, if I followed you correctly, if we are talking about the allocation of——

Ms. BROWN. Yes.

Mr. SZABO [continuing]. The drawdown dollars, OK, $300 billion go to deficit reduction, $214 billion would then go to help fund the needs of the Transportation Trust Fund. As you know, the Highway Trust Fund and others already have their own challenges, and so that would assist in essentially helping the Transportation Trust Fund for highways, transit, and rail, the highway and transit portion being fully funded out to 2020, and then taking care of the funding needs for the $40 billion 5-year rail reauthorization.

And yes, our program going forward for the rail service improvement program, the new improvements, would be a competitive grant process that has to be based on sound planning, good market analysis, and understanding the transportation needs of States and regions, and how rail fits that role.

Ms. BROWN. I just got one final question. When a State comes in and applies—like California, for example—and they said—I don't know why I want to use California, but they come in and apply and we in Congress don't think they made the best decision, but California and the people of California applied, and they got the grant, can we have the opportunity to change it if we decides—or is it something about states' rights that still exists, but only when we want it to exist?

Mr. SZABO. Well, obviously, if you have a competitive grant process, and somebody is selected as part of that competition as having, you know, one of the most meritorious projects, I think it would be highly inappropriate or irregular for Congress to try and override the terms of a competitive grant process.

Mr. DENHAM. Thank you. As we finish up this hearing, just a couple final questions on budgets and priorities. This was a good segue into that.

Mr. Boardman, the Northeast Corridor asset improvements, about $30 billion?

Mr. BOARDMAN. $52 billion, according to the report.

Mr. DENHAM. $52 billion? And how about total system improvements? What is the need?

Mr. BOARDMAN. Total system beyond the Northeast Corridor?

Mr. DENHAM. Yes, sir.

Mr. BOARDMAN. I would have to get you a number back. I don't have it on my head. It doesn't—it is not a lot, because we don't own a lot. We have got Chicago, we have got New Orleans, and a few other things.

Mr. DENHAM. And the $52 billion, that is just track, bridges—I mean that is just basic infrastructure. That is not trains.

Mr. BOARDMAN. It is not trains.

Mr. DENHAM. And what about train and asset improvement?

Mr. BOARDMAN. We believe that we need to begin to replace the Acelas within the next 5 years or so, and we are going through an analysis right now of what that will cost.

Mr. DENHAM. And in the $52 billion, that is also stations, as well, correct?

Mr. BOARDMAN. I believe so, yes. Correct.

Mr. DENHAM. OK. So, Mr. Szabo, the question I have is——

Mr. BOARDMAN. And tunnels.

Mr. DENHAM. I am sorry?

Mr. BOARDMAN. And tunnels.

Mr. DENHAM. And tunnels. Obviously, I did not agree with the stimulus package, did not agree with the Recovery Act. But the point of it was, as Ms. Brown said, is the President was re-elected, and it was his funding. But it was supposed to be for shovel-ready projects. Obviously, we have got that money still sitting out there. These were all shovel-ready projects, where you could put people back to work not only immediately, but you could have put them back to work 3 years ago. Fifty-two billion—I mean that is a priority that needs to be in our infrastructure currently, our current plans.

Two questions. First of all, the way that we fund our rail is far different from the way that we fund our overall road system, our highways across the Nation. Why not have a trust fund for Amtrak? And let me ask first, Mr. Boardman, would you want to have a trust fund?

Mr. BOARDMAN. If we found a way to have predictable, regular funding, absolutely. I don't know if it is a trust fund, or what it is.

Mr. DENHAM. So why not have a trust fund? And for that matter, why not, like the Department of Transportation, have a separate line item for the overhead expense of just having a national rail system?

Mr. SZABO. Well, I think, essentially, that is what we are proposing in our budget proposal. We are proposing that rail have its own dedicated trust fund, and we are proposing that we, you know, budget according to each business line so we understand the service that we are buying in each of those business lines and have, you know, full transparency and accountability.

So I think what you are asking me or what you are proposing is certainly not far off from what it is we are proposing. I would, you know, like to have some dialogue to better understand the differences.

Mr. DENHAM. I would appreciate that dialogue. Let me go a step further, because I don't feel like your priorities line up for that, at least the way that we are looking at in the budget.

For $40 billion over the next 5 years, but of that $40 billion 35 percent would go to Amtrak, 65 percent would go to high-speed rail, so you get a very small percentage of the $52 billion that Mr. Boardman needs to have infrastructure improvements.

Mr. SZABO. No. Actually, again, 100 percent of his state-of-good-repair needs are fully met in our proposal. And then he remains one of the eligible applicants for additional growth and development and modernization.

Mr. DENHAM. In the 5-year budget? You meet 100 percent of his needs in the 5-year budget?

Mr. SZABO. His state-of-good-repair needs.

Mr. BOARDMAN. Not the $52 billion, but the backlog of the $5.8 billion that we talked about. And I think what he is saying is that we would be eligible for the other $52 billion out of the other 65 percent pot, if I understood your question——

Mr. SZABO. Exactly. To enhance the Northeast Corridor to the next level, you know, making the NEC future vision become reality that would be eligible to compete under the Rail Service Improvement Program.

Mr. DENHAM. OK. And as we are wrapping up here, just finally, the $40 billion Amtrak—$26 billion, 65 percent of that, is in this other pot. But you are saying that Amtrak would have an opportunity to bid——

Mr. SZABO. Oh, absolutely.

Mr. DENHAM [continuing]. As every——

Mr. SZABO. Absolutely, yes.

Mr. DENHAM. And of the $26 billion, 40 percent of that would be allocated to California and to the current high-speed rail—$2.4 billion, approximately.

Mr. SZABO. No future dollars are automatically allocated anywhere. All projects would be expected to compete, you know, through a competitive bid process.

Mr. DENHAM. You are already well on your way of funding California high-speed rail. You are not just going to let the track run from Merced to Bakersfield and then stop.

Mr. SZABO. As I said, we are absolutely committed, as well, as I said, bullish on the project. But we will not presuppose that anybody gets any of these dollars that are expected to be competitively bid. And so, based upon the applications, based upon the sound planning that has been done, and based upon meeting—service being tailored to the market needs.

Mr. DENHAM. So, of the $38 billion, approximately, that GAO says that California high-speed rail needs over the next 10 years, the $10.4 billion, or the $40—the $26 billion, there are no guarantees in the $26 billion that California high-speed rail will get—there is no guarantee that they will get a large percentage of that, or any percentage of that.

Mr. SZABO. They would have to effectively compete.

Mr. DENHAM. Thank you. We do have a number of other questions. We will submit that to both of you individually, and look forward to a quick response.

Mrs. Napolitano?

Mrs. NAPOLITANO. A very, very quick question, Mr. Chair, and that has to do with the service if the States do not comply and pay their fair share. We talked about that. And what would happen, then, to the labor—to the employees and the labor negotiations in any of the contracts you may have?

Mr. SZABO. Talking about PRIIA 209?

Mr. BOARDMAN. Yes, let me answer that question.

Mrs. NAPOLITANO. It is 209.

Mr. BOARDMAN. That would be one of the shut-down costs if the States didn't come forward. If we couldn't find a place, then we would look for our employees to have—be able to move or shift——

Mrs. NAPOLITANO. Relocate?

Mr. BOARDMAN [continuing]. To another location. If that didn't happen, there is a provision called the C–2 provision, where they will be paid their salaries for a period of time. I don't have that in my mind right now, but that is a requirement.

Mrs. NAPOLITANO. Do you foresee any of this happening?

Mr. BOARDMAN. I do not know at this point in time. I think we have not received either enough yeses or noes from the States. We continue to hear from them, but we have not been told. They will be delivered a message from me next week that says we either have to have these contracts signed, or we will end service within 180 days.

Mrs. NAPOLITANO. So that would be——

Mr. BOARDMAN. October.

Mrs. NAPOLITANO. October. And based on that timeframe you are giving them, are you arranging to have some other contracts that would provide some service—not the same full service——

Mr. BOARDMAN. No.

Mrs. NAPOLITANO. Just——

Mr. BOARDMAN. None.

Mrs. NAPOLITANO. None. OK. Thank you, Mr. Chairman.

Mr. BOARDMAN. If they decide no, then we are not going to.

Mrs. NAPOLITANO. Thank you.

Mr. DENHAM. Thank you. Appreciate both of your time today. Again I want to re-emphasize the fact that the passenger reauthorization is going to be up this year. We are going to be very aggressive in working with both of you to come up with something that is meaningful for the rest of the Nation. And Ms. Brown and I will be going on the road and working with each of you to understand the specifics of that around the Nation.

So, again, thank you both for your testimony and your time today. Your comments have been very helpful.

And if there are no other questions, I would ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to the questions that have been submitted to them in writing, and unanimous consent that the record remain open for 15 days for any additional comments

and information submitted by Members or witnesses to be included in that record.

[No response.]

Mr. DENHAM. Without objection, so ordered. I would like to again thank our witnesses. If no Members have anything to add, the subcommittee stands adjourned.

[Whereupon, at 12:08 p.m., the subcommittee was adjourned.]

OPENING STATEMENT OF REP. STEVE COHEN

The Subcommittee on Railroads, Pipelines, and Hazardous Materials

"Amtrak's Fiscal Year 2014 Budget: The Starting Point for Reauthorization"

April 11, 2013

I am pleased to be here today to receive testimony from our esteemed witnesses about the important subject of Amtrak operations and its 2014 budget.

I have long been a supporter of increased access to passenger rail in the United States. As a rider of Amtrak myself, I have an affinity for this particular mode of transportation. Memphis is home to an historic Amtrak station that carries thousands of passengers to and from Chicago and New Orleans and everywhere in between, and my constituents rely upon and deserve dependable, consistent rail transportation. Passenger rail is vital to the mobility of the American people and to our nation's economic competitiveness.

In my district, the transportation capital of the nation, people are clamoring for high-speed and intercity passenger rail service. Considering the city's existing transportation assets, geographical location, the vibrant business community and the rising cost of air travel, Memphis is well positioned to become an integral component of any high-speed rail or expanded Amtrak system that may be developed.

I look forward to hearing the witnesses' testimony on this important topic and I thank them for being here today to discuss these issues. I anticipate a productive partnership with my colleagues on the Subcommittee and look forward to developing a balanced and sound legislative agenda this 113th Congress to ensure the safety and efficiency of our nation's rail system.

WRITTEN STATEMENT OF
THE HONORABLE JOSEPH C. SZABO,
ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION,
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE
SUBCOMMITTEE ON RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
U.S. HOUSE OF REPRESENTATIVES

April 11, 2013

Chairman Denham, Ranking Member Brown, and Members of the Committee, thank you for the opportunity to appear before you today to discuss the Administration's fiscal year (FY) 2014 budget proposal and reauthorization of rail policy and investment programs. In this testimony, I will provide an overview of FRA's priorities for moving forward, summarize our recent accomplishments, and describe the details behind our preliminary reauthorization proposals.

OVERVIEW OF REAUTHORIZATION PRIORITIES

As you know, portions of two important rail laws expire at the end of FY 2013 – the *Rail Safety Improvement Act of 2008 (RSIA)* and *Passenger Rail Investment and Improvement Act of 2008 (PRIIA)*. The rail industry has changed dramatically since these two landmark acts were passed with broad bipartisan support in 2008. Accidents and incidents are at record lows, while train ridership and reliability are at record highs. The financial performance of the freight rail industry and Amtrak has never been stronger. Historic levels of public and private investment have been made in passenger rail equipment, corridor upgrades, freight capacity, and safety improvements. Dozens of planning studies, environmental reviews, and engineering analyses are underway, creating a strong pipeline for future projects.

These accomplishments do not mean we can declare victory – much more needs to be done to rebalance the Nation's transportation system after decades of serious underinvestment in rail. The Administration's FY 2014 budget – released yesterday – lays out a comprehensive multi-year reauthorization blueprint for moving forward. The fundamental goal of this proposal is to take a more coordinated approach to enhancing the Nation's rail system – an integrated strategy that addresses safety and passenger and freight service improvements. This new approach better reflects the complex reality of how rail works in the United States – most track is privately-owned and carries a mix of passenger and freight trains; safety is improved through regulations and inspections but also through capital investments; bottlenecks often hinder the efficient movement of intercity, commuter, and freight trains.

This proposal, while in many ways ambitious and transformational, is rooted in ideas and solutions that have received extensive discussion and debate in recent years. It builds on the core principles of PRIIA/RSIA, while reflecting "on-the-ground" experiences. It is based on the

evolving needs of rail stakeholders, and acknowledges that demographic, economic, and environmental changes will continue boosting the market demand for rail for decades to come.

The proposal's key priorities are:

- **Enhancing world-class safety**. Rail is already among the safest modes of transportation, and safety has only been improving in recent years. Nevertheless, better safety performance is imperative, and with innovative safety practices and new technologies, the railroad industry can achieve this goal.

- **Modernizing our rail infrastructure**. Past generations of Americans invested heavily in building the infrastructure we rely on today. Most segments of the Northeast Corridor were built more than a century ago, for example. Maintaining and modernizing these assets will lower long-term costs and result in a safer, more reliable rail system.

- **Meeting the growing market demand**. With 100 million more Americans expected by 2050, the national transportation system must be prepared to handle substantial increases in the movement of people and goods. Given the existing capacity constraints on other modes, rail will play an increasingly vital role in balancing America's transportation system by accommodating this growth, resulting in public benefits such as reduced reliance on foreign oil, reduced air pollution, increased safety, and more travel options. This budget incorporates market-based investments in building or improving passenger rail corridors, eliminating rail bottlenecks, adding freight capacity; and conducting comprehensive planning.

- **Promoting innovation**. FRA's vision is for the domestic rail industry to be again world-leading – we want U.S. companies to develop patents for state-of-the-art rail technology, to supply rail operators throughout the world, and to employ the best engineers and railway workers. The United States should be exporting intellectual capital and rail products, not importing them.

- **Ensuring transparency and accountability**. Accomplishing the priorities described above can only occur if these programs are managed through a transparent process that makes it clear what public benefits and service improvements the American people are "buying" with their investments. The roles and responsibilities of the Federal government, States, Amtrak, freight railroads, and other stakeholders must be clear and based on sound public policy.

An overarching issue that runs across all of these priorities is the need for sustained and long-term funding, similar to enacted legislation currently in place for highways, transit, and aviation. It is difficult and inefficient to make large-scale infrastructure investments on a year-to-year basis. Every rail system in the world has been planned and developed through a predictable multi-year funding program. The Administration is proposing to offset the cost of the program described below from the savings generated by capping the Overseas Contingency Operations activities; however, beyond the five year reauthorization window, we look forward to working with Congress to identify other creative solutions to this important challenge.

RECENT ACCOMPLISHMENTS

Safety

FRA's top priority is safety, and 2012 was the safest year in the history of the railroad industry. For the fifth fiscal year in a row, FRA successfully improved on all six of its Safety Performance Measures. From FY 2008 to FY 2012, the overall rail-related rate of accidents/incidents declined by approximately 14 percent. The rate of non-accident hazardous materials releases per 200 million ton-miles is down 28 percent. The rate of human factors accidents per million train-miles has decreased 29 percent, the grade crossing incidents rate is lower by 16 percent, and the rate of track-caused accidents has decreased by 28 percent. These safety efforts have contributed to 19 percent fewer fatalities and injuries (falling from 10,209 casualties to 8,295 casualties).

In the area of rail safety, as noted, FRA has made significant progress fulfilling unprecedented mandates set forth by the RSIA:

- To address track-caused accidents, FRA issued regulations on concrete ties.
- To enhance grade crossing safety, FRA issued standards for emergency notification systems and regulations requiring certain states to issue State Action Plans to improve safety at highway-rail grade crossings.
- To improve grade crossing safety, FRA issued Model State Laws on highway users' sight distance at passively signed crossings and on motorists' violations of grade crossing warning devices.
- To address human factors-caused accidents and resulting casualties, FRA issued regulations to enable nationwide implementation of Positive Train Control (PTC) systems and standards for conductor certification, as well as standards for passenger train employee hours of service, which were authorized by the RSIA.

FRA also issued guidance on pedestrian safety at or near rail passenger stations; a regulation requiring conductor certification; and another regulation requiring owners of railroad bridges to implement programs for inspection, maintenance, and management of those structures and standards for camp cars used as railroad employee sleeping quarters.

FRA has been actively supporting the safety of proposed passenger rail operations, including line extensions, and shared-use and high-speed operations. FRA has provided technical outreach, including training and information regarding safety regulations and system safety, to many new start commuter railroads and is currently working with several other new operators. Further, FRA is making important strides to address human factors issues through an industry-wide initiative to combat the dangers of electronic device distraction in the railroad workplace as well as implementing a Confidential Close Call Reporting System (C3RS) program. The Budget proposes expanding it from a limited pilot project to a nation-wide rollout.

Rail trespassing accounted for 63% of all rail-related fatalities last year. Last summer, to help reduce the number of trespass deaths, FRA and the Federal Transit Administration co-hosted the second Right-of-Way Fatality and Trespass Prevention Workshop to identify and prioritize ways

we can make progress in this area. Methods for successfully reducing trespass were shared and are now posted on the FRA website. These achievements are not an occasion to reflect, but a foundation to build on as we look for more and better ways to improve the safety of our rail network.

Investments

FRA is managing investments that will provide rail access to new communities and improve the reliability, speed, and frequency of existing services. To date, FRA has obligated more than $10 billion in grant funding provided by Congress for the High-Speed and Intercity Passenger Rail (HSIPR) program through the American Recovery and Reinvestment Act of 2009 and annual appropriations for FY 2009 and 2010. Interest in this program is strong: 39 States, the District of Columbia, and Amtrak have submitted more than $75 billion worth of applications – well in excess of the available funding. FRA is also managing rail investments through grant and loan programs such as TIGER, rail line relocation, and Railroad Rehabilitation and Improvement Financing (RRIF), in addition to overseeing annual grants to Amtrak.

This portfolio of investments is having a substantial impact on the Nation's rail system: 6,000 corridor miles are being improved, 30 stations are being upgraded, and hundreds of new passenger cars and locomotives are being procured. These projects will improve the customer experience by reducing trip times, improving reliability, adding additional frequencies, and making stations and equipment more comfortable and accessible. Our strict "Buy America" requirement ensures that tracks, crossties, train sets, construction materials, and new stations are built in America and support domestic manufacturers and suppliers.

REAUTHORIZATION PROPOSALS

The Administration's FY 2014 budget request, released yesterday, lays out a detailed blueprint for a five-year reauthorization proposal. The remainder of this testimony will outline the major highlights.

National High-Performance Rail System

The National High-Performance Rail System (NHPRS) proposes a new, coordinated approach to rail investments. The NHPRS would replace and consolidate existing rail programs (including the Amtrak grants and capital assistance for high-speed rail, among others) with two interlinked programs: the **Current Passenger Rail Service**—focused on *maintaining* the current rail network serviced by Amtrak—and the **Rail Service Improvement Program**—focused on *expanding and improving* the passenger and freight rail networks to accommodate growing travel demand. Additionally, the **Research, Development, and Technology** program will invest in people, businesses, and technology, ensuring that America's rail industry is the world's most innovative and state-of-the-art. The NHPRS is the centerpiece of this reauthorization vision.

The President's FY 2014 Budget requests $6.4 billion—and $40 billion over the next five years—for the NHPRS program. The Administration proposes Congress fund the program through mandatory authorizations from a new Rail Account of the Transportation Trust Fund.

The trust fund would initially be funded through the General Fund transfers that are offset from savings generated by capping Overseas Contingency Operations activities and would not require new taxes or fees.

National High-Performance Rail System
FY 2014 to FY 2018 Investment Proposal ($M)

Account	FY 14	FY 15	FY 16	FY 17	FY 18	TOTAL
Investment Programs	**6,360**	**8,045**	**7,700**	**8,550**	**8,945**	**39,600**
Current Passenger Rail Service	2,700	3,225	2,550	2,650	2,075	13,200
Rail Service Improvement Program	3,660	4,820	5,150	5,900	6,870	26,400
Research, Development, & Technology	**55**	**43**	**43**	**38**	**38**	**217**
Research & Development	**35**	**37**	**37**	**37**	**37**	**183**
TOTAL	**6,450**	**8,125**	**7,780**	**8,625**	**9,020**	**40,000**

Current Passenger Rail Service: The objective of this program area is to maintain public rail assets in a state of good repair so that they continue producing public benefits for generations to come, while continuing to support the Nation's long-distance passenger rail services. The program will be organized according to the primary "business lines" of current passenger services:

- **Northeast Corridor:** bring Northeast Corridor infrastructure and equipment into a state of good repair to enable future growth and service improvements.
- **State Corridors:** facilitate efficient transition to financial control to States for short-distance State-supported corridors, as required by PRIIA. This program will be phased out within the five year period once States are transitioned.
- **Long-Distance Routes:** continue operations of the Nation's important long-distance routes.
- **National Assets**: improve efficiency of the Nation's "backbone" rail facilities, further implement positive train control (PTC) on Amtrak routes, and bring stations into compliance with requirements of the Americans with Disabilities Act (ADA).

This approach is a major policy change from how Federal support for current service is provided today, which is through separate Operating and Capital/Debt Service grants to Amtrak. This new structure increases transparency and better aligns Federal resources to the public benefits and services in which we are investing.

CURRENT PASSENGER RAIL SERVICE (FY 2014 Request - $2.7 billion)			
Program Area and FY 2014 Request	**Objectives**	**Eligible Activities**	**Eligible Recipients**
Northeast Corridor $675 million	Bring infrastructure and equipment into a state of good repair to enable future growth and service improvements.	• Ongoing state of good repair capital needs. • Backlog of state of good repair capital needs. * • Replacement of legacy/obsolete equipment. *	Amtrak**
State Corridors (transitional) $300 million	Facilitate efficient transition to State financial control over State-supported corridors.	• Transitional capital and operating assistance to support phase-in of PRIIA Section 209.* • Replacement of legacy/obsolete equipment.*	States
Long-Distance Routes $800 million	Continue operation of the Nation's long-distance routes.	• Long-distance route capital – equipment overhauls and replacement, stations, maintenance facilities, etc. • Long-distance route operations.	Amtrak
National Assets $925 million	Improve efficiency of the Nation's "backbone" rail facilities, support implementation of positive train control on Amtrak routes, and bring stations into compliance with the requirements of the *Americans with Disabilities Act* (ADA).	• Operating and capital needs for national reservations system; security and policing; rolling stock/infrastructure engineering, design services, and support facilities; training centers; and other national backbone systems. • Support implementation of PTC on Amtrak routes * • Capital to upgrade Amtrak-served stations to be ADA compliant. * • Legacy debt service and principal. *	Amtrak

Notes:
* Temporary activities that will phase-out upon completion.
**Funding provided through this program will be based on a five-year Northeast Corridor capital asset plan. This plan will be prepared by Amtrak in coordination with the Northeast Corridor Infrastructure and Operations Advisory Commission, which includes States and other NEC infrastructure owners and users, and will be approved by FRA. For specific capital projects, this plan may identify other appropriate lead agencies or recipients for these funds, such as States, in which case grants could be directed to those entities.

Rail Service Improvement Program: The objective of this program is to substantially improve the Nation's passenger and freight rail systems to accommodate population growth and the increasing demand for rail transportation across the country. This program will comprehensively address the investment needs of both passenger and freight rail systems, which are tightly interwoven. The program will make competitive, discretionary investments based on analyses of the business and public investment cases for each proposal – no projects are "pre-designated" to receive any of these funds. The program will also address the needs of local communities, through funding for station areas, mitigation of the local safety, environmental, and noise impacts generated by the presence of rail, and for rail line relocation activities.

The program will have four main areas of focus:

- **Passenger Corridors:** develop high-performance passenger rail networks through construction of new corridors or substantial improvements to existing corridors, and to implement positive train control systems on commuter railroads.
- **Congestion Mitigation:** address major bottlenecks and congestion issues that reduce freight and passenger train reliability on shared-use infrastructure.
- **Freight Capacity:** improve the competitiveness of the Nation's intermodal freight rail by upgrading facilities, adding capacity, and implementing community mitigation strategies.
- **Planning:** develop comprehensive plans that will guide future investments.

RAIL SERVICE IMPROVEMENT PROGRAM (FY 2014 Request - $3.66 billion)

Program Area and FY 2014 Request	Objective	Eligible Activities	Eligible Recipients
Passenger Corridors $3,250 million	Build regional networks of passenger rail corridors through construction of new corridors or substantial improvements to existing corridors; support implementation of positive train control (PTC) on commuter railroads.	• Environmental studies • Right-of-way acquisition • Preliminary engineering • Design and construction • Rolling stock acquisition • Support implementation of PTC on commuter railroads. *	• States and multi-State entities • Amtrak • Equipment entity • Commuter railroads **
Congestion Mitigation $150 million	Address major bottlenecks and congestion issues that reduce freight and passenger train reliability on shared-use infrastructure.	• Capital for addressing congestion projects identified by the Surface Transportation Board or DOT • Capital for improving infrastructure in shared-use terminal areas	• States and multi-State entities • Amtrak • Freight railroads • Rail terminal companies
Freight Capacity $190 million	Improve the competitiveness of the Nation's intermodal freight rail system by upgrading facilities and adding capacity.	• Capital upgrades to intermodal freight corridors and connection points • Capital upgrades to short-line freight railroads • Rail line relocation and community mitigation	• States and multi-State entities • Freight railroads • Rail terminal companies • Ports • Local governments ±
Planning $70 million	Develop comprehensive plans that will guide future investments in the Nation's passenger and freight rail systems.	• National, multi-state, and state rail planning • Corridor and terminal area planning/environmental analyses • Northeast Corridor FUTURE*	• States and multi-State entities • Metropolitan planning organizations • FRA

Notes:
* Temporary activities that will phase-out upon completion.
** For PTC implementation only.
± For rail line relocation only.

Research, Development, and Technology (RD&T): The RD&T program goes beyond the safety benefits delivered by FRA's existing R&D program. It prepares the Nation for high-performance rail by developing new technologies and testing facilities. It also supports the DOT "Buy America" policy to ensure growth in the railroad industry is supplied through domestic sources and jobs, strengthens collaboration with universities and others working on research projects, and helps address the future demands for an educated and qualified railroad workforce. $54.7 million is requested in FY 2014 to support these critical activities.

Railroad Rehabilitation and Improvement Financing Program (RRIF)

The FY 2014 Budget does not propose changes to the RRIF program. However, as FRA looks forward to reauthorization, the agency is exploring program ways to improve project and program administration, as well as to better integrate the program with the goals and objectives of the NHPRS program. FRA works to ensure that all financial assistance programs (both grants and loans) work together in a cohesive and comprehensive manner to improve the Nation's passenger and freight rail networks through an integrated investment portfolio. FRA is ensuring borrowers can more readily take advantage of the RRIF program by reviewing eligibility requirements, application processes, administrative provisions, technical assistance, or other program elements, consistent with the priorities set forth in Section 502(c) of Title V of the Railroad Revitalization and Regulatory Reform Act of 1976, as amended.

Rail Safety

The RSIA was a key piece of legislation to enhance rail safety comprehensively through risk reduction program regulations while also focusing directly on some of the most challenging areas including hazardous materials, human factors, grade crossing and trespass, and track. The Act authorized 200 new safety positions over the five-year period, but less than a quarter were funded through appropriations. For the last four years, FRA has focused on establishing and implementing the structures and regulations required by RSIA. Looking ahead, FRA is poised to begin fully implementing these regulations in an effort to drive safety rates to further record lows. FRA is exploring options for addressing several important safety regulatory issues, including the following:

- **PTC**— RSIA mandates that PTC be implemented across a significant portion of the Nation's rail network by December 31, 2015. With limited exceptions and exclusions, PTC is required to be installed and implemented on Class I railroad main lines (i.e., lines with over 5 million gross tons annually), lines over which any poisonous- or toxic-inhalation hazard commodities are transported; and, on any railroad's main lines over which regularly scheduled intercity passenger or commuter operations are operated. In all, approximately 70,000 miles of track and 20,000 locomotives will have to be equipped with interoperable PTC technology. While some railroads will meet the deadline, many are likely to be challenged by technological and programmatic barriers. In a report to Congress last year, FRA detailed obstacles faced by the industry and outlined mitigation strategies for Congressional consideration, including the extension of the PTC implementation deadline and alternative methods of mitigating the risks prevented by

PTC systems. FRA's report also highlighted radio frequency spectrum challenges that could impact timely PTC system implementation.

- **Hours of service**—FRA recently issued fatigue-science-based hours of service regulations for passenger train employees under new authority granted by RSIA. FRA would like to evaluate the benefits and costs of continuing on this course and focus on addressing other fatigue issues with expanded authority to regulate the hours of service of other train employees, signal employees, and dispatching service employees based on sound science.

- **Grade crossing analyses**—FRA would welcome the opportunity to work with Congress to establish an appropriate framework for addressing grade crossing issues related to blocked crossings and commercial motor vehicle accidents and incidents at crossings.

- **Harmonize operating rules**—FRA plans to evaluate the benefits and costs of harmonizing operating rules. Each railroad has its own set of operating rules that may differ significantly from one division to another and from one railroad to another. Many operating crew employees are required to learn multiple different operating rules in order to operate safely in a single tour of duty. Harmonizing operating rules will likely reduce unnecessary confusion and create a safer working environment.

- **Improve protection of Risk Reduction and System Safety analyses with respect to property damage claims**—For a risk reduction program to be effective, FRA must have confidence that railroads are conducting robust analyses to accurately identify risks present. FRA will continue to work to balance the interests of safety and the public interest with respect to the litigation protection afforded the railroads in conducting these analyses.

- **Modernize statutory requirements**—FRA would also like to modernize certain existing statutory requirements to better reflect current and future innovations and technologies. For instance, statutory requirements related to the movement of defective equipment could be updated to provide greater flexibility to FRA in handling such issues. Similarly, existing statutory language related to locomotives could be revised to account for modern locomotive and locomotive tender design and allow FRA to more readily tackle the safety issues related to the industry's recently expressed desire to achieve fuel efficiencies through use of liquefied natural gas-powered locomotives.

- **Encourage noise mitigation**—Current Environmental Protection Agency rules for railroad noise emissions do not consider the use of noise mitigation technologies and may be an obstacle to the deployment of high-speed passenger rail. Alternative rules may encourage railroads to reduce the impact of noise emissions on communities surrounding rail operations.

Other Issues

A comprehensive rail reauthorization should address several topics in addition to the investment programs and safety issues discussed above. FRA looks forward to working with Congress to evaluate policy options in the following areas:

- **Northeast Corridor governance**—The Northeast Corridor (NEC) is one of the most important transportation assets in the nation, carrying more than 250 million people per year and an average of 50 freight trains per day. As the backbone to the highest concentration of population and economic activity in the country, there is naturally a large number of stakeholders with a vested interest in the future of the corridor, including the states, Amtrak, local commuter authorities, freight railroads, local governments, business, and others. Through the Northeast Corridor Infrastructure and Operations Advisory Commission established under PRIIA, the FRA has worked with these varied stakeholders to develop an inclusive planning process to establish the framework for future investment in the corridor. Moving forward, FRA will continue working with all stakeholders to develop policy ideas for addressing NEC governance issues.

- **Next generation rail equipment**—With FRA's participation, the Next Generation Equipment Committee has developed and approved specifications for single- and bi-level passenger cars, diesel locomotives, train sets and diesel multiple units. In turn, these specifications have been or will be used in several procurements by States and Amtrak that will result in increased interoperability and lower unit costs. FRA is committed to continuing to explore options to pool equipment in order to improve flexibility and performance of passenger rail services, further lower costs, and ultimately stimulate domestic manufacturing and supply industries.

- **Multi-state rail development**—The Administration's goal for a modern passenger rail system that connects communities within America's "megaregions" will inevitably require corridors to cross several state boundaries. Development and implementation of these corridors can be a challenge due to the number of state and local jurisdictions involved in the process. FRA, in consultation with key stakeholders, is exploring various institutional options for efficiently planning and coordinating the implementation of multi-state corridors. Additionally, FRA will encourage groups of States to develop unified plans for rail networks that connect and integrate their regions.

- **Buy America**—FRA seeks to strengthen the Buy America requirements in current law by ensuring uniform applicability to all of FRA's financial assistance programs.

- **Platform heights**—FRA would like to study the feasibility, including the benefits and costs, of standardizing passenger station platform heights to better enable level-boarding platforms.

- **Disadvantaged business enterprises**—FRA would like to conduct a nationwide disparity and availability study to establish the availability and utilization of disadvantaged business enterprises in publically funded railroad projects.

- **Project delivery**—FRA will continue discussions with Congress and rail stakeholders on other potential legislative authorizations that could streamline project delivery.

CONCLUSION

Thank you for the opportunity to appear before you to begin a dialogue on the future of rail in America. The President's FY 2014 budget and reauthorization proposal charts a bold new course for transportation infrastructure investment in the United States. We look forward to working with the Congress to put people back to work building a balanced transportation system that is the envy of the world – and a Nation that is built to last. I will be happy to respond to your questions.

# # #

Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

Bill Shuster
Chairman

Christopher P. Bertram, Staff Director

Nick J. Rahall, II
Ranking Member

James H. Zoia, Democrat Staff Director

April 25, 2013

The Honorable Joseph Szabo
Administrator
Federal Railroad Administration
1200 New Jersey Avenue, SE
Washington, D.C. 20590

Dear Hon. Szabo:

Thank you for your testimony before the Subcommittee on Railroads, Pipelines, and Hazardous Materials on April 11, 2013 concerning "Amtrak's Fiscal Year 2014 Budget: The Starting Point for Reauthorization." I am pleased you appeared and testified on behalf of the Federal Railroad Administration. The Subcommittee gained valuable insight from the information you provided at the hearing.

Enclosed please find additional questions for written responses for the record. The Subcommittee appreciates your written responses no later than May 10, 2013. Please provide an electronic version of your response via email to [redacted]

If you have any questions please contact Mike Friedberg of the Subcommittee at [redacted].

Sincerely,

Jeff Denham
Chairman
Subcommittee on Railroads, Pipelines, and
Hazardous Materials

Enclosures

Committee on Transportation and Infrastructure
Subcommittee on Railroads, Pipelines, and Hazardous Materials
Hearing on "Amtrak's Fiscal Year 2014 Budget: The Starting Point for Reauthorization"
April 11, 2013
Questions for the Record

Questions from Rep. Denham:

1. Please provide a table that allocates FY 2012 and FY 2013 enacted Federal appropriations for Amtrak by lines of business (Northeast Corridor, State Supported Routes, Long-Distance Routes, and National Assets) and by capital versus operating subsidy amounts.

2. You stated in your testimony that virtually all States affected by PRIIA Section 209 have requested transition assistance, and you would provide for the committee the list that has come in. Please provide a list of States that requested assistance and the corresponding dates of their requests.

3. Please also provide a list of States that have not budgeted the appropriate dollars to maintain their current level of services.

4. Please provide a breakout of the $300 million budgeted for Section 209 transition assistance. Break this out by operating assistance and capital activities. When breakout, please detail what capital activities you have assumed.

5. Please provide a breakout of the capital amounts requested for each line of business, detailing the amounts for each capital activity (for instance, state of good repair backlog versus new capacity projects), and please identify the source of the estimates FRA used to develop the annual and total five year requests.

6. In December 2012, the FRA amended its grant agreement with California High Speed Rail Authority to allow the Authority to spend its Federal grants first, and then wait towards the end of the project to supply the required match. How is FRA ensuring the match will be provided and taxpayer funds won't be wasted given that there is a pending state lawsuit that could rule that the Proposition 1A funds may not be spent on the project as set forth in the current Business Plan?

7. As you know, in December FRA and California High Speed Rail Authority signed an amendment to HSR grant agreement, which replaced all prior grant terms and conditions. As we understand it, FRA has no process for outlining or setting forth the changes made to the over 100-page grant agreement. Could you please briefly explain the process for approving such agreements? Also please provide a document to the Committee that explains each change, and justifies why each change was made to this and every other high speed rail grant agreements?

8. The Administration's 2014 budget proposes funding for commuter railroads to implement Positive Train Control systems. Why is the Administration requesting PTC funds now,

Committee on Transportation and Infrastructure
Subcommittee on Railroads, Pipelines, and Hazardous Materials
Hearing on "Amtrak's Fiscal Year 2014 Budget: The Starting Point for Reauthorization"
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Questions for the Record

after not doing so for several years? How much funding does FRA estimate Amtrak and commuter railroads need to meet the PTC mandate?

9. DOT released a report detailing significant obstacles to the implementation of PTC by the 2015 statutory deadline. Does the Administration support an extension, and if so, for how long?

10. The Administration is proposing $190 million in grant funding to support freight rail projects. Given the large private investments the freights are already making, why are Federal funds for freight projects needed?

Question from Rep. Barletta:

1. I used to run a small business, so I am somewhat concerned about an issue that FRA is contemplating that could hurt our nation's small businesses. We should be encouraging public-private partnerships to encourage investment in infrastructure- not create roadblocks to their development. I've heard that the FRA may be eliminating small business set-asides for future FRA Independent Financial Advisors consultants for the Railroad Rehabilitation and Improvement Financing RRIF loan program. This small business set-aside was set up to help save money because the very individuals who use the RRIF loan program are generally our nation's short line railroads, which are the small businesses in the freight railroad industry. For the past couple years, this Subcommittee has held hearing after hearing about the RRIF loan program and the problems that borrowers face. Since I've been here it seems that Deputy Secretary Porcari has admitted that there are problems. In spite of the problems that USDOT has had in administering the RRIF loan program- it would seem to me that USDOT ought to be doing things to improve things and minimize the cost to America's small businesses. I am concerned that the elimination of the small business set-aside will further hurt the RRIF program instead of enhancing it and improving it. Eliminating the small business set-aside means only the big Wall Street investment banks and consulting firms will wind up getting these contracts with FRA. Administrator Szabo, Shouldn't we be focusing on increasing access—especially for small businesses—to capital for infrastructure?

Questions from Rep. Corrine Brown:

1. You stated that "[E]very rail system in the world has been planned and developed through a predictable multi-year funding program." Since Amtrak was created in 1971, Amtrak and many in Congress have argued that we need one unified approach to surface transportation – from planning to financing. In the past, opponents have argued against that on the grounds that the Highway Trust Fund is exclusively financed by highway users. That is no longer the case. Since 2008, Congress has appropriated $53.3 billion in

general revenues (more money than Amtrak has received in its entire existence) to fund the Highway Trust Fund and subsidize highway and transit users. How can a for-profit corporation effectively plan for the future when it does not know how it will be funded on a year-to-year basis; does the current way Amtrak is financed end up just costing the taxpayer more money; and what does the Administration propose for how to move forward with respect to funding?

2. Over the last three fiscal years Amtrak used capital grant money to fund operating expenditures on four occasions. I recognize that the funds were eventually replenished and used to fund capital projects on your approved capital plan, but does FRA know what caused this? Is this something other for-profit corporations do, and are Amtrak's audits every month clean? Do these temporary transfers raise concerns for FRA, and do you believe that FRA should be notified when this occurs?

3. It seems that Amtrak is ending its fiscal years with excess subsidies provided by the Federal Government. I recognize it has a backlog in capital improvements on the Northeast Corridor and elsewhere. Is FRA notified when there is an excess at the end of the fiscal year? If not, should FRA be notified, including on what Amtrak does with the excess subsidies?

4. The President's FY 2014 Budget proposes to create a new Research, Development, and Technology program. What is the difference between that program and the FRA's existing Research and Development program?

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS

JOSEPH C. SZABO
ADMINISTRATOR
FEDERAL RAILROAD ADMINISTRATION

QUESTIONS FOR THE RECORD
FROM THE APRIL 11, 2013 HEARING:
"AMTRAK'S FISCAL YEAR 2014 BUDGET:
THE STARTING POINT FOR REAUTHORIZATION"

Questions from Rep. Denham:

1. **Please provide a table that allocates FY 2012 and FY 2013 enacted Federal appropriations for Amtrak by lines of business (Northeast Corridor, State Supported Routes, Long-Distance Routes, and National Assets) and by capital versus operating subsidy amounts.**

   A core reason that FRA has proposed this new account structure is to increase the transparency of Federal funding for current passenger rail services. Previous grant funding has not been appropriated nor managed according to the business lines defined by FRA in this year's budget request, making it difficult to provide a specific crosswalk of previous funding to the new structure.

   FRA is committed to working with your staff to provide this information in the most transparent and responsive way possible.

2. **You stated in your testimony that virtually all States affected by PRIIA Section 209 have requested transition assistance, and you would provide for the committee the list that has come in. Please provide a list of States that requested assistance and the corresponding dates of their requests.**

   Several states have indicated that due to budgetary constraints, they are having difficulty finding the funding to meet the new Section 209 costs. They have requested flexibility in using existing funding sources to meet these new demands, in addition to requesting transition assistance. In particular, several states, Members of Congress, and industry

stakeholders have requested flexibility in using the Congestion Mitigation Air Quality (CMAQ) program, as revised by the Moving Ahead for Progress in the 21st Century Act (MAP-21), funds for this purpose. In particular, they have requested flexibility to use CMAQ funds to provide operating assistance for intercity passenger rail services beyond the current three-year cap and to offset the costs under Section 209. A list of those requests is below.

1. Sens. Shaheen, Sanders, Reed, and Whitehouse (3 yr. cap) **Nov 2, 2012 (NH, VT, RI)**
2. Sens. Collins, King, Reps. Michaud, and Pingree (3 yr. cap) **Jan 25, 2013 (ME)**
3. North Carolina Department of Transportation (3 yr. cap + 209) **May 22, 2012**
4. Oregon Department of Transportation (3 yr. cap + 209) **Nov 30, 2012**
5. Midwest Interstate Passenger Rail Commission (3 yr. cap + 209) **Nov 20, 2012 (IL, IN, KS, MI, MN, MO, NE, ND, OH and WI)**
6. National Association of Railroad Passengers (3 yr. cap + 209) **Nov 5. 2012**
7. Railway Supply Institute (3 yr. cap + 209) **Dec 12, 2012**
8. States for Passenger Rail Coalition (representing 34 States) (3 yr. cap + 209) **Oct 15, 2012 (AL, AZ, CA, DE, FL, GA, IL, IN, IA, KS, MA, MI, MN, MS, MO, NH, NY, NV, NC, OK, OR, PA, RI, SC, TN, TX, VT, VA, WA, WI).**
9. United Transportation Union (3 yr. cap + 209) **Oct 25, 2012**
10. Council of State Governments, Eastern Regional Conference (3 yr cap) **Oct 16, 2012 (CT, DE, ME, MD, MA, NH, NJ, NY, PA, RI, VT)**

11. Please also provide a list of States that have not budgeted the appropriate dollars to maintain their current level of services.

The FRA is not aware of any states that have not budgeted appropriate dollars to maintain their current level of services. Amtrak would be a better source of information on their service agreements with state partners.

3. Please provide a breakout of the $300 million budgeted for Section 209 transition assistance. Break this out by operating assistance and capital activities. When breakout, please detail what capital activities you have assumed.

At least $200 million included within the $300 million State Corridors program area will be used to replace legacy equipment that is currently operating over State-supported corridors. Much of this equipment is at or near the end of its useful life. Replacement of this equipment will result in substantial public benefits, including improved reliability, enhanced passenger comfort, and decreased maintenance costs.

The balance of the funds will provide transition assistance for PRIIA Section 209. As described in FRA's FY 2014 budget request, FRA is proposing to provide 80 percent of the difference between what States currently pay for service, and what they will be

required to pay beginning in FY 2014 under the Section 209 agreements. (This amount decreases to 60 percent of this difference in FY 2015, followed by 40 percent in FY 2016 and 20 percent in FY 2017; no funding is proposed for this activity in FY 2018 or beyond.)

Because Amtrak and the 18 States affected by Section 209 are still negotiating final contracts, the precise level of capital and operating needs are not yet finalized. However, based on current information, FRA has budgeted for approximately $40-50 million to support capital needs, and the same range for operating needs. Under the current Section 209 methodology as it will be implemented in FY 2014, all capital payments are supporting equipment overhaul activities.

4. **Please provide a break out of the capital amounts requested for each line of business, detailing the amounts for each capital activity (for instance, state of good repair backlog versus new capacity projects), and please identify the source of the estimates FRA used to develop the annual and total five year requests.**

As described in the Presidents FY 2014 budget request, FRA has proposed a significantly new approach to providing Federal funding for Amtrak. While FRA believes this approach is more transparent than the previous structure, we acknowledge that there will be some challenges during an interim transition period as we work with Congress, Amtrak, States, and other stakeholders to determine the most efficient way to move forward under this construct.

Under this proposal, Amtrak will be required to annually submit to FRA a five-year business plan for each business line. These plans must provide business justifications for Amtrak's proposed allocation of Federal resources among the various operating and capital activities that are eligible for funding within that business line. The plan must show this information for both the immediate fiscal year as well as over a five-year period. FRA would approve these plans, provide copies to Congress, and then manage Amtrak's grant against the plans. By allocating resources based on multi-year planning and analysis, Amtrak can better prioritize and sequence investments to meet the needs of rail passengers across all services.

The source documents that FRA used to develop the FY 2014 budget request include Amtrak's FY 2013 grant request, FY 2012-2016 Financial Plan and Strategic Plan, State of Good Repair plan, ADA Compliance Report, and Fleet Strategy (version 3.1). Additional details can be found in FRA's FY 2014 Congressional Justification, on pages 99 to 101.

FRA will continue working with you and your staff to develop an effective approach to managing this new structure in a way that protects taxpayer investments and yields the most substantial public benefits.

5. **In December 2012, the FRA amended its grant agreement with California High Speed Rail Authority to allow the Authority to spend its Federal grants first, and then wait towards the end of the project to supply the required match. How is FRA ensuring the match will be provided and taxpayer funds won't be wasted given that there is a pending state lawsuit that could rule that the Proposition 1A funds may not be spent on the project as set forth in the current Business Plan?**

Consistent with the Federal Railroad Administration's (FRA) policies and procedures and based on a request received from the California High-Speed Rail Authority (Authority), FRA agreed to amend Cooperative Agreement No. FR-HSR-0009-10-01-01 to permit the use of a tapered match. The tapered match allows the Authority some flexibility in when it meets its non-Federal state match commitment under the grant. It does not change the Authority's obligation to provide the match but instead permits Federal funds to be spent at a higher proportion at the beginning of the project, with the state matching funds being used to complete the project beyond the 2017 American Recovery and Reinvestment Act of 2009 (ARRA) expenditure deadline.

The Authority's request for a tapered match was premised on potential savings of up to $100-150 million in construction costs made possible because the tapered match would relieve the schedule constraints caused by the September 2017 expenditure deadline for ARRA funding. This allows the Design-Build contractors to reduce their bid amounts. It is in part because of the potential for cost savings on large construction projects that the tapered match is accepted grant practice in other Department of Transportation operating administrations, including the Federal Highway Administration.

This structure continues to protect the taxpayer because the Authority is still subject to the enforceable contractual commitment to provide the full 50% match. FRA's rights to enforce this commitment are protected though the Cooperative Agreement. The Agreement protects the Federal investment and Federal taxpayers, including provisions providing FRA rights – in certain circumstances – to terminate the agreement and require the Authority repay expended Federal funds.

With respect to the ongoing state lawsuits, FRA not a party to any of the litigation but continues to monitor the proceedings.

6. **As you know, in December FRA and California High Speed Rail Authority signed an amendment to HSR grant agreement, which replaced all prior grant terms and conditions. As we understand it, FRA has no process for outlining or setting forth the changes made to the over 100-page grant agreement. Could you please briefly explain the process for approving such agreements? Also please provide a document to the Committee that explains each change, and justifies why each change was made to this and every other high speed rail grant agreements?**

The Federal Railroad Administration (FRA) and the California High Speed Rail Authority (Authority) entered into grant/cooperative agreement FR-HSR-0009-10-01 on September 23, 2010. The Agreement contained a grant cover sheet of 21 sections, Attachment 1 containing 15 sections, Attachment 1A containing 9 sections, Attachment 1B containing 6 sections, Attachment 2 containing 29 sections, Attachment 3 (the Statement of work), Attachment 4 (quarterly Progress Report), and Attachment 5 (ACH Vendor/Miscellaneous Payment Enrollment Form). The Agreement was subsequently revised through Amendments 1 through 4 on December 22, 2010, August 8, 2011, September 19, 2011, and April 16, 2012 respectively.

FRA has an effective process for amending grant agreements. Amendments 1 through 4 were executed through a process whereby individual sections were specifically revised and non-altered sections remained in place. This process provides clarity in identifying specific changes being made to an amendment. However, in an effort to improve our amendment process FRA concluded that beginning with Amendment 5, FRA would prepare a comprehensive amendment—which incorporates all previous amendments and new revisions into one document. This comprehensive document would reflect current terms and conditions, and would provide both parties with a clear understanding of their contractual commitments. The comprehensive amendment is of significant value over the long term given the complexity of the Project, the various amendments, and the large number of personnel on both sides charged with implementing the Project.

Amendments are typically negotiated by the FRA program and legal staff with the program and legal staff of the Grantee. The approval process is managed through the GrantSolutions electronic processing system whereby approvals are secured electronically from FRA and grantee personnel before the agreements/amendments are signed by the grantee representative and the FRA Administrator.

In response to the Committee's request for an explanation of the revisions accomplished through Amendment 5 and the justification for the change, we are providing the following explanation:

- Attachment 1, section 1, identified the California High Speed Rail Authority as an agency of the State of California. This change confirms the Authority's placement within the State's governmental structure.

- Attachment 1, section 1, added a word "Attachment" in parenthetical. This change is to ensure complete reference to the Attachment 3A.

- Attachment 1, section 4, included a reference to a new Attachment 1A section 8 (see below). This change explains the connection between the project funding and project performance periods.

- Attachment 1, section 5(j), revised to clarify the Authority's responsibility to provide matching funds the principal source of which is Proposition 1A. This change strengthens the Authority's commitment to providing committed matching funds while recognizing that the bonds were yet to be sold.

- Attachment 1, section 7, revised to allow the use of advance payment method of funding and to switch to the Delphi eInvoicing System for FRA payments. This change confirms the use of the advance payment method of funding consistent with 49 C.F.R. §18.21(c) and update the agreement to reflect the current DOT reimbursement process.

- Attachment 1, new section 8 added to identify certain specified grantee certifications that are required along with each payment request. This change provides FRA with specific assurances in connection with the request for FRA funding.

- Attachment 1, section 10 (formerly section 9), added a new semiannual proposition 1A bond sale progress report. This change provides FRA with semiannual status reports on the Grantee's progress in selling Proposition 1A bonds.

- Attachment 1, section 13 (formerly section 12), revised the FRA administrative officer. This change identifies a new FRA administrative officer.

- Attachment 1, section 14 (formerly section 13), revised the FRA grant manager. This change identifies a new FRA grant manager.

- Attachment 1, section 15 (formerly section 14), revised the FRA administrative officer and grants manager. This change identifies a new FRA administrative officer and grants manager.

- Attachment 1, new section 17, added moving the Buy America requirements into Attachment 1 of the grant/cooperative agreement. This change achieves consistency with other FRA grant/cooperative agreements addressing Buy America requirements consistently in Attachment 1 of FRA's agreements.

- Attachment 1A, section 3, changed "federal" to "Federal". This change ensures consistency.

- Attachment 1A, section 4, added a reference to the description of the financial plan in Attachment 3A. This change ensures consistent description of grant deliverable.

- Attachment 1A, section 5, added a reference to the HSIPR Program Interim Guidance. This change assures the California High Speed Rail grant/cooperative agreement included the latest language from FRA's revised template Attachment 1A

- Attachment 1A, section 6, changed "federal" to "Federal". This change ensures consistency.

- Attachment 1A, section 7, changed "federal" to "Federal". This change ensures consistency.

- Attachment 1A, section 10, changed "federal" to "Federal". This change ensures consistency.

- Attachment 1A, section 9, added a reference to the California Environmental Quality Act (CEQA) in the property acquisition section. This change confirms that applicable National Environmental Quality Act and CEQA requirements must be met before any real property is acquired.

- Attachment 1A, section 16, updated the reference to Davis-Bacon Act provisions and HSIPR Program Interim Guidance. This change assures the California High Speed Rail grant/cooperative agreement included the latest language from FRA's revised template Attachment 1A

- Attachment 1A, new section 18 added including a reference to the HSIPR Interim Guidance/ Notice of Funding Availability as a source of background guidance in carrying out the Project. This change assures the California High Speed Rail grant/cooperative agreement included the latest language from FRA's revised template Attachment 1A.

- Attachment 1B, section 6, changed "outlayed" to "outlaid". This change corrects grammatical error.

- Attachment 1B, section replaced term "reimbursement" with "payment". This change allows for advanced payment method.

- Attachment 2, section 1, included a definition of the term "California High Speed Rail Authority" in the definitions section. This change assures the agreement included a definition of this term.

- Attachment 2, section 2, changed "approved otherwise by FRA" to "otherwise stated in this Agreement" and deleted "complete all actions necessary". This change allows for tapered match.

- Attachment 2, section 4, replaced "reimbursed" with "paid". This change allows for advanced payment method.

- Attachment 2, section 7, revised the payment processing to follow FRA's new Delphi eInvoicing System and added in authority to use the advance payment funding process. This change updates the agreement to reflect FRA's new eInvoicing process and allow the grantee to use the advance payment process authorized by 49 C.F.R. § 18.21(c).

- Attachment 2, section 11, removed the buy America reference. This change reflects that the section was moved to Attachment 1.

- Attachment 2, section 23, revised the right of FRA to terminate section of the agreement. This change strengthens and clarifies FRA's rights with respect to suspension or termination of financial assistance, the repayment of federal funds, and the use of offsets.

- Attachment 2, section 24, added provisions related to Transparency Act Requirements – Reporting Subawards and Executive Compensation. This was changed because while these requirements do not apply to Recovery Act funded programs, they do apply to other grant funds so FRA wanted the Grantee to be aware of and cognizant of them.

- Attachment 3, Statement of Work heading, replaced "July 2011" with "November 2012". This change reflects new statement of work.

- Attachment 3, Statement of Work, Project Estimate/Budget, authorized the Grantee to use a tapered match consistent with the Funding Contribution Plan and new Exhibit 3 while recognizing the Grantee's obligation to provide the full promised match contribution at Project completion. This change provides the Grantee with flexibility consistent with the agency's tapered match policy contributing to cost savings and schedule flexibility.

- Attachment 3A, Statement of Work heading, replaced "July 2011" with "November 2012". This change reflects new statement of work.

- Attachment 3A, Statement of Work, Task 5, clarified language requiring the Grantee to request in writing FRA's written approval to issue a notice to proceed (NTP) for any contact for design and/or construction service. This change clarifies that the Grantee is not authorized to provide NTP for design and or/construction services without FRA's written approval.

- Attachment 3A, Statement of Work, Project Budget, authorized the Grantee to use a tapered match consistent with the Funding Contribution Plan and Exhibit 3 while recognizing the Grantee's obligation to provide the full promised match contribution at Project completion. This change provides the Grantee with flexibility consistent with the agency's tapered match policy contributing to cost savings and schedule flexibility.

- New Exhibit 3, Funding Contribution Plan, added. This change, as described above, describes amount and schedule of the Federal and Grantee funding contributions for the Project.

In response to the request for a document that explains and justifies why each change was made in every other high speed rail grant agreements, a search of FRA's grant/cooperative agreement management program, GrantSolutions, indicates that to date FRA has approved 134 amendments to obligated high speed rail grant/cooperative agreements. It would be cost and staff time prohibitive to prepare an analysis documenting all of the changes adopted in 134 grant/cooperative agreement amendments. The majority of the amendments were for items such as term extensions, changes to the eInvoicing system, updating grant managers and administrative officers, and revisions/updates to statements of work. If the Committee is interested in any specific amendments, we could evaluate the changes effectuated through the amendment process with respect to that particular agreement.

7. **The Administration's 2014 budget proposes funding for commuter railroads to implement Positive Train Control systems. Why is the Administration requesting PTC funds now, after not doing so for several years? How much funding does FRA estimate Amtrak and commuter railroads need to meet the PTC mandate?**

   While gathering information to support the development of the report to Congress in late 2011, FRA became aware of the commuter railroads' need for funding to support the 2015 deadline for PTC implementation. FRA's assessment indicates that passenger railroads would need a minimum of $875 million for initial acquisition and installation of onboard, wayside, and central office equipment.

8. **DOT released a report detailing significant obstacles to the implementation of PTC by the 2015 statutory deadline. Does the Administration support an extension, and if so, for how long?**

   The PTC Implementation Plans approved by FRA were submitted with timelines that reflected full completion by the 2015 statutory deadline. Since the submission of those plans, several railroads have publicly stated that they cannot meet the deadline for full completion and that they do not foresee full implementation occurring until between 2018 and 2020. FRA described some of the challenges associated with full implementation of PTC by the required deadline in its August 2012 report to congress. FRA stated in the report that:

   > "Given the current state of development and availability of the required hardware and software, along with deployment considerations, most railroads will likely not be able to complete full RSIA-required implementation of PTC by December 31, 2015."

   At this time, the Administration does not have sufficient information to determine the appropriate length of any extension for full completion. However, the Administration would support any extension deemed appropriate by Congress, and if Congress provides such an extension, FRA would support an approach that provides FRA considerable flexibility in applying any such extension.

9. **The Administration is proposing $190 million in grant funding to support freight rail projects. Given the large private investments the freights are already making, why are Federal funds for freight projects needed?**

   The $190 million proposed for the Freight Capacity program area will fund three activities:

a. *Capital upgrades to critical freight corridors and connection points.* A strong record of public-private partnerships on freight rail projects has been demonstrated over the past several years, given the substantial benefits that these investments deliver. For example, DOT received (and has funded) several applications for freight rail projects through the TIGER program, most of which included substantial private sector contributions. This program area will fund projects that have clearly defined public benefits, similar to projects like the Heartland Corridor project connecting Norfolk, Virginia to Chicago, Illinois that was jointly funded by the Federal Highway Administration, Norfolk Southern, and three States; the CREATE program in Chicago; and the Tower 55 program in Texas.

   The financial assistance proposed in this program area will leverage private dollars to ensure that rail continues to become more competitive for moving intermodal goods. FRA estimates that every $1,000 invested in these activities will yield $2,800 in public benefits over 25 years.

b. *Capital upgrades to short-line railroads.* Short-line railroads provide critical "last mile" connectivity for many shippers, yet often lack the capital resources needed to undertake significant upgrade projects. This financial assistance will help ensure that short-line railroad infrastructure is in good working order, thus maintaining and improving the reliability of the freight system as a whole.

c. *Capital improvements to mitigate the impact of freight rail operations on local communities.* While boosting the share of goods moved by rail results in substantial public benefits, increased freight operations can also have adverse impacts on local communities. These grants will help mitigate these impacts through relocating rail lines, eliminating at-grade crossings with roads, building sound walls, or other measures.

For all three of these program areas, Federal funds will be provided at levels proportionate to the anticipated public benefits. All projects must also be identified on either a State Rail Plan or State Freight Plan.

Question from Rep. Barletta:

1. **I used to run a small business, so I am somewhat concerned about an issue that FRA is contemplating that could hurt our nation's small businesses. We should be encouraging public-private partnerships to encourage investment in infrastructure-**

not create roadblocks to their development. I've heard that the FRA may be eliminating small business set-asides for future FRA Independent Financial Advisors consultants for the Railroad Rehabilitation and Improvement Financing RRIF loan program. This small business set-aside was set up to help save money because the very individuals who use the RRIF loan program are generally our nation's short line railroads, which are the small businesses in the freight railroad industry. For the past couple years, this Subcommittee has held hearing after hearing about the RRIF loan program and the problems that borrowers face. Since I've been here it seems that Deputy Secretary Porcari has admitted that there are problems. In spite of the problems that US DOT has had in administering the RRIF loan program- it would seem to me that US DOT ought to be doing things to improve things and minimize the cost to America's small businesses. I am concerned that the elimination of the small business set-aside will further hurt the RRIF program instead of enhancing it and improving it. Eliminating the small business set-aside means only the big Wall Street investment banks and consulting firms will wind up getting these contracts with FRA. Administrator Szabo, Shouldn't we be focusing on increasing access-especially for small businesses-to capital for infrastructure?

FRA considers small businesses to be important contributors to the agency's mission, and small businesses will remain eligible to compete for RRIF Independent Financial Advisor (IFA) contracts. In fact, FRA's latest contract for IFA services was awarded to a small business that won the project over several large companies, through a highly-competitive selection process.

Questions from Rep. Corrine Brown:

1. **You stated that "[E]very rail system in the world has been planned and developed through a predictable multi-year funding program." Since Amtrak was created in 1971, Amtrak and many in Congress have argued that we need one unified approach to surface transportation- from planning to financing. In the past, opponents have argued against that on the grounds that the Highway Trust Fund is exclusively financed by highway users. That is no longer the case. Since 2008, Congress has appropriated $53.3 billion in general revenues (more money than Amtrak has received in its entire existence) to fund the Highway Trust Fund and subsidize highway and transit users. How can a for-profit corporation effectively plan for the future when it does not know how it will be funded on a year-to-year basis; does the current way Amtrak is financed end up just costing the taxpayer**

more money; and what does the Administration propose for how to move forward with respect to funding?

The Administration agrees that Federal rail programs should have a stable source of funding like other modes of transportation currently enjoy. This would enable rail stakeholders including Amtrak, state and local governments, and private firms to more efficiently plan and invest in capital and infrastructure projects.

To this end, the President's budget proposes to fund the proposed National High Performance Rail System program from mandatory trust fund resources. Specifically, the FY 2014 Budget proposes to create a new Rail Account within a Transportation Trust Fund. The Rail Account would be fully funded through FY 2018 to support the Administration's five-year $40 billion rail reauthorization program using savings from Oversees Contingency Operations. No new taxes are needed to support this program, and no existing highway taxes would be affected.

2. **Over the last three fiscal years Amtrak used capital grant money to fund operating expenditures on four occasions. I recognize that the funds were eventually replenished and used to fund capital projects on your approved capital plan, but does FRA know what caused this? Is this something other for-profit corporations do, and are Amtrak's audits every month clean? Do these temporary transfers raise concerns for FRA, and do you believe that FRA should be notified when this occurs?**

Over the course of a year, Amtrak must actively manage a company-wide budget of nearly $4 billion, with the goal of remaining cash solvent. Amtrak aims to maintain a daily cash balance of at least $200 million at all times. With this balance, Amtrak can pay its routine bills and conduct normal business. There are often times when Amtrak's cash reserve falls below $200 million, however. This occurs because of the mismatch in timing between revenues (including Federal grants and payments from states) and costs. When Amtrak's daily cash balance falls below $100 million, the railroad is financially stressed and must take steps to delay or defer non-essential payments so that it can cover critical costs including payroll, which in a single day can be tens of millions of dollars.

Consequently, the FRA's top priority is to ensure that Amtrak maintains a sufficient cash reserve and, therefore, continues to as a going concern. FRA closely monitors Amtrak's financial position, including reviewing monthly cash forecasts and daily cash balance reports provided by the railroad. FRA senior management also meets regularly with Amtrak leadership including its CFO to evaluate Amtrak's finances. As a result of these

efforts, FRA has a solid system in place for tracking Amtrak's cash status over the course of a year.

As part of managing its daily cash balance, Amtrak must keep track of its different sources of revenues, including FRA grants for operating and capital and debt. To do so, Amtrak staff and managers regularly allocate costs for different projects and activities. Amtrak reconciles cost allocations at the end of each month, which is a standard financial management practice followed by most companies. Until Amtrak reconciles these costs, they default to Amtrak's operating budget. For this reason, Amtrak cannot say on short notice if it has used capital funds to pay for operating costs. That said, Amtrak calculates that there have been points in time – a day or two -- when it has used capital funds to pay for operating costs.

FRA's test, which is supported by Amtrak's independent financial auditors, is that Amtrak must show by the end of the year that operating and capital grant funds were used for those purposes. For the reasons outlined above, FRA supports providing Amtrak the flexibility to address its cash requirements by temporarily relying on operating funds. However, because the determination of whether this occurred requires an after-the-fact reconciliation, FRA does not expect Amtrak to provide to FRA prior notice.

3. **It seems that Amtrak is ending its fiscal years with excess subsidies provided by the Federal Government. I recognize it has a backlog in capital improvements on the Northeast Corridor and elsewhere. Is FRA notified when there is an excess at the end of the fiscal year? If not, should FRA be notified, including on what Amtrak does with the excess subsidies?**

FRA supports allowing Amtrak to use excess operating funds to make investments in capital projects, where those projects are part of an approved capital plan. Investing in capital can provide numerous benefits including driving down operating costs. There is a process in place that supports collaboration between Amtrak and FRA in this area, which requires FRA concurrence of Amtrak's plans for redirecting operating grant funds to capital projects. Over the course of the last year, FRA has significantly increased its communications with Amtrak on this topic, and will maintain this collaboration as a standard operating procedure going forward.

4. **The President's FY 2014 Budget proposes to create a new Research, Development, and Technology program. What is the difference between that program and the FRA's existing Research and Development program?**

The existing R&D program will continue to be focused on rail safety-related issues, and will continue to be funded out of general revenues, at the same level as previous fiscal years. The new RD&T program is focused on positioning America's rail industry for global leadership, and will be funded from the Transportation Trust Fund. Both programs will be seamlessly managed and coordinated, and give the United States a unique edge in workforce development and rail research.

Railroad Research and Development: The President's Budget requests $35.3 million for research and development activities to mitigate railroad operations risk. Funding is included in this request to advance technology with railroad operators for system integration, interoperability standards, and prototypes for positive train control communications

Railroad Research, Development, and Technology: $54.7 million to stimulate technological advances for conventional and high-speed rail. This new trust fund program includes three primary activities: (1) High Performance Rail R&D: $24.5 million to ensure that the US is at the forefront of passenger rail technology; (2) The National Cooperative Research Program: $4.9 million to support a partnership with the National Academy of Sciences to advance cooperative research; (3) Workforce Development: $24.7 million to provide technical assistance and training to the public, to advance university transportation centers, and to provide Buy America support for US rail manufacturing.

TESTIMONY

OF

JOSEPH H. BOARDMAN
PRESIDENT AND CHIEF EXECUTIVE OFFICER
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BEFORE THE
SUBCOMMITTEE ON RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS HEARING ON "AMTRAK'S FISCAL YEAR 2014 BUDGET: THE STARTING POINT FOR REAUTHORIZATION"

THURSDAY, APRIL 11, 2013
10:00 A.M.
2167 RAYBURN HOUSE OFFICE BUILDING

Good morning, Mr. Chairman, and thank you for the opportunity to testify today. While our annual grant requests are not typically a topic that we have been asked to discuss before this Committee, the context for this discussion – and by that I mean the reauthorization – is exactly right. Our discussions with the Committee in the wake of Super Storm Sandy have highlighted some of the unique challenges that Amtrak faces, and I think it's useful to discuss the financial and capital management of our organization. I want to do this both because I think we are working to manage these challenges effectively, and because there are larger issues looming behind the immediate and obvious ones that will need to be addressed in this reauthorization.

One of the issues we have heard a lot about this year is cash management. Because we're a business, rather than an agency, our budgets are much more fluid. We generate revenues, and our need for operating funding fluctuates depending on our revenue performance. Over the last couple of years, that performance has been very good, but it hasn't changed Amtrak's basic situation: we are a capital-intensive business that does not generate sufficient revenues to cover our operating costs, let alone fund capital investment. We're in a heavily seasonal business, one that is frequently affected by weather and other events, and so our real fiscal challenge is not so much budgeting as it is cash management.

While up until now I have dealt with this entirely in the abstract, I would note that in concrete terms, we are talking about relatively small sums, and short periods. You will see that here on the first slide. Over the last three fiscal years (FY 10-12 and FY13 through March 31), we have used capital grant money to fund operating expenditures on four occasions, none of longer than nine days' duration, none of more than 2% of the

total value of our annual operating expenses; all our capital funds were eventually used for activities in our approved capital plan. We don't have access to short term credit, so we do occasionally use our capital money in this way – but as you can see, the alternative would entail expenses that we otherwise avoid. We've actually been recognized by Treasury and Risk magazine with their Alexander Hamilton Award for the efficiency of our cash management (including the pooling of funds), since it minimizes the need for duplicative work, provides us with much-needed flexibility and saves unnecessary expense.

The next slide will explain why this is necessary. The seasonality of our revenues is exacerbated by the periodic nature of our operating support payments and the challenges that come with an unpredictable budget cycle. I would add that those challenges aren't just associated with the Federal budget cycle, although that's challenging enough – each of the fifteen states that partners with us to offer service has its own budget cycle, and those cycles can affect when states pay the bills they incur from the operation of state-supported services. There's an aspect of due caution involved in budgeting for a company that has as little liquidity as Amtrak enjoys. We typically have about $200 million in cash reserves, and there are points where those reserves drop below the $100 million level, which is a major concern – you can infer from this chart, for example, what might have happened had a Super Storm Sandy-scale event (which cost us about $50 million) come at a point in 2012 when our cash reserves were low. We've had to deal with the challenges that come from a continuing resolution every year since 1998. I would note parenthetically that the Section 209 process, which is expected to generate

increased revenues in the coming year, is still far from complete – we only have one agreement in place, and we have a long way to go yet.

This next slide will give you an idea of some of the challenges we face in building an operating budget for the coming fiscal year. When we build a budget like this, we have to plan for both the ordinary and the extraordinary. Obviously, you can't plan for a Sandy-scale event every year, but even in normal years there are extraordinary events – which are an ordinary occurrence in the railroad industry. There are also more mundane factors that we have to take into account – things like fuel costs, which have fluctuated unpredictably over the last few years, as you know.

These are all basic facts of life in the transportation business. Some, like Sandy, are so significant that we have to request financial assistance, but the vast majority of these incidents are simply something we have to live with, making the appropriate changes to our spending to accommodate them. We typically budget with the expectation that there will be a certain level of disruption, in part because we would rather ask for the money up front than come back to Congress in the midst of a major event with a sudden request for more funding. As you can see from this chart, we are running a degree of calculated risk in FY 2014. Our budget includes a projected total of $85 million from the states generated by the Section 209 process that I mentioned earlier. We have made progress in our conversations with the states, but the process of concluding and funding the new contracts is still for the most part ahead of us, and if it doesn't work out, there could be some hard choices.

While we do need the flexibility to use capital money to cover operating expense on a temporary basis, there's another side to this coin. When the financial situation is favorable, Amtrak does use operating money to meet capital and other expenses. Amtrak has in recent years sometimes found that its ongoing pattern of ridership growth has generated revenues that exceed our budgeted amount, leaving us with operating funds that are not needed to keep the day-to-day operations going. When we find such a situation, we try to use it strategically – to fund capital investments that will help us operate the system more efficiently. One of the basic realities of our system is the enormity of our capital need. We are routinely running sixty year old cars, and we will need to spend $52 billion in the coming decades just to get the existing infrastructure in the Northeast into a state of good repair, and to meet the growth challenge. We've also used operating funds to ensure that we avoid some of the challenges such as retiree funding – Amtrak's retirement fund, for example, is currently fully funded.

The next slide will explain another one of the investments we have made. This slide shows Amtrak's overall debt level. As you can see, it grew steeply between 1999 and 2002. During this period, the company was starved for cash, and to keep operations funded, it resorted to debt financing. New York Penn Station was mortgaged; thirty year old cars were sold and leased back to the company, all to generate the money Amtrak needed to keep things moving. We made a very definite decision to address that situation, and over the last few years, paying down debt has been a major priority. It has helped us reduce the debt service payments, and it has improved our credit rating so we can finance new equipment for growth – which will in turn help us generate more

revenues, which should allow us to gradually extend and continue the improvements we have made over the last few years.

There are a lot of checks and balances in place to ensure there are no abuses, and if you'll look at the next slide, you'll see some of the agencies, firms, and bodies that oversee Amtrak's financial transactions. We report our cash balances to the FRA on a daily basis, and we also submit monthly reports to them so they're very aware of both our immediate balance and the longer-term outlook. We are also audited on an annual basis, just as any publicly-traded company would be, by an outside auditing firm which does a thorough analysis of our financial records. The annual audits show a pattern of improvement – we've had no material deficiencies and no material weaknesses since 2009. We have an independent Inspector General's Office that has wide powers to review and examine every aspect of our operations, and it is available, if needed, to address the Committee's questions. The Department of Transportation's IG is similarly empowered, and we are also periodically examined by the General Accountability Office, which has the authority to review our operations and processes. And as you know, four Congressional committees oversee our operations. It would be hard to think of an entity, public or private, that is as thoroughly subject to scrutiny or oversight as Amtrak.

We continue to have significant capital needs that are being addressed piecemeal, as we can afford to address them, or when we have no other choice. When Amtrak's growing revenues and operating grant exceed our operating needs, we make additional capital investments. This is consistent with Congress' traditional authorizations and addresses the greatest long term need of the intercity passenger system. We currently have a backlog of more than $5.8 billion in state of good repair work on the Northeast

Corridor. The NEC is so heavily used that at rush hour, trains enter and leave the century-old New York tunnels at 150 second intervals. Our ridership and revenues are still growing, but much of that growth is the product of investments made more than a decade ago, and if we do not continue to invest, we will lose the advantages we currently offer travelers, and we will cease to be a valuable and relevant transportation alternative in a region that's already the most congested in America.

In closing, I would ask the committee to consider this question of whether the nation is willing to invest in its infrastructure carefully, because the needs are significant, but the benefits are tremendous – you only need to look at how we've grown over the last ten years to see that. I would also ask you to think carefully about the question Amtrak has perennially faced: what does the government want us to be?

Right now, I can tell you what we are: we are a safety-based organization that's working hard to improve our customer focus so that we can improve our bottom line. Over the last decade, we've grown our ridership, cut our debt and reliance on Federal operating support, and we've brought new service to states and regions that have fewer and fewer choices. We're doing the right thing, and I'm proud of the job we've done. But it cannot go on indefinitely: we face very real capital challenges that will have to be addressed in the near future. Together, we can address those challenges, and the success we're seeing today is a clear statement of the way benefits flow from capital investment.

The reverse can also be true: if we do not invest, we would expect to see not lower operating costs, but higher ones, as a failure to fund leads to a downward spiral. This has happened before, and Amtrak has always recovered, as the belated recognition of the need has eventually led to a funding decision that reversed the trend. But our fleet

and the Northeast Corridor are today much older, and in many senses more fragile, than they have ever been, and both the need and the opportunity are correspondingly greater. One way or another, we will make a decision about what kind of a railroad we want, and what kind of a business we are going to run – but my hope is that we do not make this decision by default, because if we do, and nothing changes, the outcome will not be a happy one – not for Amtrak, the region, or the country.

Committee on Transportation and Infrastructure
U.S. House of Representatives

Bill Shuster
Chairman

Christopher P. Bertram, Staff Director

Washington, DC 20515

April 25, 2013

Nick J. Rahall, II
Ranking Member

James H. Zoia, Democrat Staff Director

The Honorable Joseph Boardman
President and Chief Executive Officer
Amtrak
60 Massachusetts Avenue, NE
Washington, DC 20002

Dear Hon. Boardman:

Thank you for your testimony before the Subcommittee on Railroads, Pipelines, and Hazardous Materials on April 11, 2013 concerning "Amtrak's Fiscal Year 2014 Budget: The Starting Point for Reauthorization." I am pleased you appeared and testified on behalf of Amtrak. The Subcommittee gained valuable insight from the information you provided at the hearing.

Enclosed please find additional questions for written responses for the record. The Subcommittee appreciates your written responses no later than May 10, 2013. Please provide an electronic version of your response via email to [redacted].

If you have any questions please contact [redacted] of the Subcommittee at [redacted].

Sincerely,

Jeff Denham
Chairman
Subcommittee on Railroads, Pipelines, and
Hazardous Materials

Enclosures

Committee on Transportation and Infrastructure
Subcommittee on Railroads, Pipelines, and Hazardous Materials
Hearing on "Amtrak's Fiscal Year 2014 Budget: The Starting Point for Reauthorization"
April 11, 2013
Questions for the Record

Questions from Rep. Denham:

1. The states of KS, NM and CO are looking for ways to support the continuance of passenger rail through their communities but they need specific information on what needs to be repaired or upgraded. Can Amtrak provide a mile-by-mile or section-by-section detail of:

    a. The repairs or upgrades needed;
    b. The estimated costs; and,
    c. The timing and priority of the repairs.

2. Amtrak has approached the states for support of infrastructure improvements along this long-distance route, has Amtrak contemplated a formula for cost sharing?

3. If Amtrak cannot get a commitment for cost-sharing from the states, forcing it to re-route the Southwest Chief, what is the cost of re-routing the service? And can you provide an accounting of those costs?

4. Under section 209 of PRIIA, Amtrak expects to receive an additional $85 million in State funding, yet your 2014 legislative grant request for operating subsidy doesn't seem to reflect those full savings. Please describe in detail what cost increases are offsetting the expected $85 million reduction in operating subsidies? If these cost increases are inflationary in nature, how did Amtrak cover these costs in 2012 given that the Federal grant for operating subsidies did not increase substantially?

5. Amtrak received $400 million in High Speed Rail funding to make upgrades along the Northeast Corridor. How much progress has Amtrak made on those projects?

6. You mentioned in your testimony about the excess operating appropriations being spent on other projects, could you provide us with a breakdown of what those excess appropriations were spent on? Of these funds, how much has been spent on state of good repair projects?

7. In your testimony you state that you will need to spend $52 billion on state-of-good-repair on the NEC and meet the growth challenges on page 5, but on pages 6-7 you say you have a $5.8 billion backlog of state-of-good repair. Can you please reconcile these two numbers?

Questions from Rep. Corrine Brown:

1. Section 209 of the Passenger Rail Investment and Improvement Act of 2008 directs the States and Amtrak to "develop and implement a single, nationwide standardized

Committee on Transportation and Infrastructure
Subcommittee on Railroads, Pipelines, and Hazardous Materials
Hearing on "Amtrak's Fiscal Year 2014 Budget: The Starting Point for Reauthorization"
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methodology for establishing and allocating the operating and capital costs among the States and Amtrak" related to trains that operate on corridors of 750 miles or less. Amtrak has informed Committee staff that States with such routes would reduce Amtrak's operating loss on those routes (see FY 2011 chart provided to Committee staff, page 10-11) from $155.3 million to $97.4 million. What costs make up the remaining $97.4 million? Why are the States not paying that $97.4 million? Please provide the Committee for the record a list or chart of (1) each of the States with State-supported routes (by State), (2) a brief summary of each State's service (by State), (3) the fully allocated cost of each State's service (by State), (3) the total revenue for each State's service (by State), (4) the fully allocated loss for each State's service (by State), and (5) how much each State is expected to pay Amtrak for such service under Section 209 (by State).

2. If a State discontinued service under Section 209, would the costs to the States on the other routes need to be recalculated? If so, how would this impact the costs for the other States with State-supported routes? Could those costs increase?

3. Section 212 of the Passenger Rail Investment and Improvement Act requires the Northeast Corridor Infrastructure and Operations Advisory Commission to develop a formula for compensating Amtrak for commuter rail usage of Amtrak's infrastructure, facilities and services on the Northeast Corridor. Amtrak is then required to work with the Northeast Corridor states to implement new agreements based on the formula. What is the status of Section 212?

4. You mentioned that over the last three fiscal years Amtrak used capital grant money to fund operating expenditures on four occasions. I recognize that the funds were eventually replenished and used to fund capital projects on your approved capital plan, but what caused this? Is this something other for-profit corporations do, and are your audits clean every month?

5. It seems that Amtrak is ending its fiscal years with excess subsidies provided by the Federal Government. I recognize you have a backlog in capital improvements on the Northeast Corridor and elsewhere. What has Amtrak done with the excess subsidies?

Committee on Transportation and Infrastructure
Subcommittee on Railroads, Pipelines, and Hazardous Materials
Hearing on "Amtrak's Fiscal Year 2014 Budget: The Starting Point for Reauthorization"
April 11, 2013
Questions for the Record

Questions from Rep. Denham:

Question 1:
The states of KS, NM and CO are looking for ways to support the continuance of passenger rail through their communities but they need specific information on what needs to be repaired or upgraded. Can Amtrak provide a mile-by-mile or section-by-section detail of:

a. The repairs or upgrades needed;
b. The estimated costs; and,
c. The timing and priority of the repairs.

Answer to Question 1:
Amtrak and BNSF made a joint presentation to Congressional staff on March 15, 2013, which addressed the topics in this question. The PowerPoint presentation from that meeting accompanies this answer. With respect to questions (a) and (b), please note pages 10 and 13-16. With respect to question (c), timing is addressed on pages 10, 11, and 17. Regarding priority, although not called out in the PowerPoint, the worn rail in Kansas west of Holcomb, and in Colorado east of Las Animas, is in the most urgent need of repair.

Question 2:
Amtrak has approached the states for support of infrastructure improvements along this long-distance route, has Amtrak contemplated a formula for cost sharing?

Answer to Question 2:
Amtrak has proposed two formulas for cost-sharing: (1) An equal sharing of 20% each of the total annual and one-time costs among five interested parties: Amtrak, BNSF, and the states of Kansas, Colorado and New Mexico (please see page 11 of the accompanying PowerPoint); or (2) each state and/or group of municipalities within each state would be responsible for taking the lead in finding funding for the affected section of the *Chief's* route in their state, as shown in the accompanying PowerPoint presentation on pages 13-16. **(See Attachment A entitled, "Southwest Chief Routing Briefing for U.S. Senate Staff March 15, 2013").**

Question 3:
If Amtrak cannot get a commitment for cost-sharing from the states, forcing it to re-route the Southwest Chief, what is the cost of re-routing the service? And can you provide an accounting of those costs?

Answer to Question 3:
The potential "Transcon" alternate route is owned and operated by BNSF. Amtrak has not yet requested and BNSF has not yet provided an estimate of possible capital costs, if any, associated

with a reroute of the *Chief* to the Transcon. The Transcon is a very busy route with significant freight traffic ranging from 80-100 trains per day. It is not possible to comprehensively answer this question until that information is available. However, Amtrak's ridership and revenue estimates are that the Transcon reroute would generate 8,500 fewer riders and $1.3 million (2010 dollars) less in food, beverage and ticket revenues annually.

Question 4:
Under section 209 of PRIIA, Amtrak expects to receive an additional $85 million in State funding, yet your 2014 legislative grant request for operating subsidy doesn't seem to reflect those full savings. Please describe in detail what cost increases are offsetting the expected $85 million reduction in operating subsidies? If these cost increases are inflationary in nature, how did Amtrak cover these costs in 2012 given that the Federal grant for operating subsidies did not increase substantially?

Answer to Question 4:
The change in the FY14 operating request compared to the FY13 preliminary operating requirement is illustrated in the table below. In short, projected increases in contractual wages and management salaries, benefits, diesel costs and anticipated inflationary effects on materials and services is offset by projected increases in PRIIA 209 State supported revenues and passenger ticket revenues.

Changes in Operating Subsidy ($ in millions)

FY13 Preliminary Federal Subsidy	$375
Increases in Costs	
Agreement Employees Contractual Wages	37
Management Employees Salary	10
Benefits (Health Care and RRTA taxes)	34
Diesel Fuel costs	15
General inflation on materials and services	22
Total Increases in Costs	118
Decreases (Revenue increases)	
PRIIA 209 State Supported Revenue	(85)
Incremental Passenger Ticket Revenue	(35)
Total Decreases (Revenue increases)	(120)
Net Change (2)	
FY14 Operating Request	$373

Amtrak was able to cover inflationary increases in FY12 due to increases in ticket revenues and cost containment in other areas.

Question 5:
Amtrak received $400 million in High Speed Rail funding to make upgrades along the Northeast Corridor. How much progress has Amtrak made on those projects?

Answer to Question 5:
The general objective of the Program is to upgrade and improve the catenary, power, track, and signal systems on the Northeast Corridor (NEC) primarily between New Brunswick and Trenton, NJ, and to improve the western approach tracks in New York Penn Station to facilitate increased speeds and improved reliability for all users, and eventual higher levels of service. This Program, combined with equipment acquisition currently in the planning stages, would allow Amtrak to achieve operating speeds of a minimum of 160 mph in the vicinity of New Brunswick NJ and in the vicinity of Trenton NJ; a first step in implementing Amtrak's vision of incrementally raising speeds while concurrently achieving significant increases in NEC capacity and service reliability. In addition, this program will substantially improve the reliability of intercity and commuter services in one of the most heavily used sections of the NEC, and provide improved flexibility of service scheduling through the addition of new high speed interlockings. Amtrak and NJ Transit are also coordinating this work with a state-funded companion infrastructure project to construct a grade-separated loop track to enable NJ Transit trains to operate from one side of the NEC to the other with no interference to Amtrak service. This substantial investment will further improve the reliability of operations for both services.

Initial work has focused on design of the new traction power system, signal and interlockings, high speed testing of equipment (by Amtrak, the Volpe Center and Boeing Co.), environmental and permitting, construction of staging facilities and temporary passenger facilities, achieving Buy America compliance, etc.. Much of the design work has been precedent setting, made necessary in order to upgrade a rail route originally constructed for pre World War II operating concepts, to one that is fully capable of delivering high speed / high capacity corridor service for the 21st Century.

To date, approximately $11.1 m has been expended with an additional $45.6 m planned in FY'13. The majority of project expenditures remain on schedule to occur between
2014 and 2016

Question 6:
You mentioned in your testimony about the excess operating appropriations being spent on other projects, could you provide us with a breakdown of what those excess appropriations were spent on? Of these funds, how much has been spent on state of good repair projects?

Answer to Question 6:
During the FY11 and FY12 time period, Amtrak received $220 million in operating appropriations in excess of Amtrak's need. Of the $220 million, $151 million was spent on capital projects as follows:

- $55 million to complete ARRA projects in excess of ARRA funding
- $28 million in progress payments for our new single level long distance passenger cars.
- $68 million for additional capital projects

Of the items listed above, approximately $69 million were considered state of good repair.

The remaining balance was consumed by changes in working capital, primarily by increases in accounts receivable.

Question 7:
In your testimony you state that you will need to spend $52 billion on state-of-good-repair on the NEC and meet the growth challenges on page 5, but on pages 6-7 you say you have a $5.8 billion backlog of state-of-good repair. Can you please reconcile these two numbers?

Answer to Question 7:
The $5.8 billion for state of good repair is a reasonable approximation (the number changes constantly, as work is performed and individual assets pass the end of their useful lives) of the state of good repair situation we face today; right now, approximately $5.8 billion dollars' worth of assets are either past the end of their planned useful life or are not receiving adequate levels of maintenance to ensure reliable performance. This does not connote a lack of safety or imply that large scale failure is imminent. Many of these assets are functionally obsolete and are currently being maintained in a manner that is suboptimal and could produce delays and other challenges if they are not replaced. This number could grow or shrink, depending on the availability and pace of capital funding in coming years.

The figure of $52 billion represents not only the sums that must be spent on state of good repair now and approximately 2040 – it represents a spectrum of improvements that Amtrak, its commuter and freight partners have identified in the Northeast Corridor Master Plan to realize the full potential of the NEC. This figure included;

a) $ 0.3 b for Positive Train Control (PTC)
b) $ 5.8 b for Back Log projects on Amtrak owned portion of the NEC
c) $ 3.0 b for Back Log projects on the MTA/CT owned portion of the NEC (New Haven Line)
d) $32.3 b for core reliability, capacity and trip time improvements (of which $15 b was identified for new tunnel capacity under the Hudson River and station expansion in New York)
e) $ 2.0 b for the replacement of the B&P Tunnel in Baltimore
f) $ 9.0 b for State-of-Good-Repair projects on assets coming due for renewal during the time period.
g) $52.4 b Total (Note these costs were in 2009 dollars).

Questions from Rep. Corrine Brown:

Question 1:
Section 209 of the Passenger Rail Investment and Improvement Act of 2008 directs the States and Amtrak to "develop and implement a single, nationwide standardized methodology for establishing and allocating the operating and capital costs among the States and Amtrak" related to trains that operate on corridors of 750 miles or less. Amtrak has informed Committee staff that States with such routes would reduce Amtrak's operating loss on those routes (see FY 2011 chart provided to Committee staff, page 10-11) from $155.3 million to $97.4 million. What costs make up the remaining $97.4 million? Why are the States not paying that $97.4 million? Please provide the Committee for the record a list or chart of (1) each of the States with State-supported routes (by State), (2) a brief summary of each State's service (by State), (3) the fully allocated cost of each State's service (by State), (3) the total revenue for each State's service (by State), (4) the fully allocated loss for each State's service (by State), and (5) how much each State is expected to pay Amtrak for such service under Section 209 (by State).

Answer to Question 1:
The items not covered by State Supported payments, e.g. the $97.4 million, primarily consist of allocated overhead costs for Transportation, Mechanical, Marketing and General Administrative departments. Under PRIIA 209 States are responsible for their route's direct cost and a reasonable portion of costs that they share in, like Stations. As part of the PRIIA 209 formula agreed to by the majority of the States and Amtrak and approved by the Surface Transportation Board, the States are charged an additive rate for those overhead costs mentioned above, but not the entire allocated amount.
The remaining information you requested is included as **(See Attachment B entitled, "PRIIA 209 FY2012 Estimated Revenues and Operating Costs")**

Question 2:
If a State discontinued service under Section 209, would the costs to the States on the other routes need to be recalculated? If so, how would this impact the costs for the other States with State-supported routes? Could those costs increase?

Answer to Question 2:
The practical effect of a state ceasing service may be two-fold:

If the State service is the only service on the particular route, and the service ceases, then employees impacted may be entitled to a dismissal or displacement allowance under Appendix C-2, as modified by Arbitrator Richard Mittenthal on May 31, 1998. The level of protection will be 1/3 of the up to maximum 5 years protection (depending on service time) if the state is the moving party under the Mittenthal award. If Amtrak is the moving party, then the up to maximum of 5 years applies.

As long as a train operates over the route no less than 3 times per week, there is no trigger of employee protection.

If a State discontinued a service under Section 209, those shared costs that do not go away as well as the discontinued service's overhead additives would need to be redistributed amongst the users of the shared costs and to all remaining routes in the case

of the overhead additives. It is anticipated that any route discontinuance will increase the costs of all remaining routes, not just Stated supported routes.

Question 3:
Section 212 of the Passenger Rail Investment and Improvement Act requires the Northeast Corridor Infrastructure and Operations Advisory Commission to develop a formula for compensating Amtrak for commuter rail usage of Amtrak's infrastructure, facilities and services on the Northeast Corridor. Amtrak is then required to work with the Northeast Corridor states to implement new agreements based on the formula. What is the status of Section 212?

Answer to Question 3:
The Commission is actively advancing the cost allocation process as required by Section 212 and established a "Cost Allocation Committee" last year made up of Commission members and affected commuter agencies to develop a common allocation method that ensures that all NEC users pay their fare share of operating and capital costs for shared infrastructure. The Committee will present its initial recommendations for this methodology to the Commission this spring and the Commission a schedule to adopt a methodology and a schedule for implementation by this September. As you know, Section 212 requires implementation of this methodology by October 1, 2014, (the start of FY 2015) and Amtrak is supporting the Commission in its efforts to meet this deadline.

Question 4:
You mentioned that over the last three fiscal years Amtrak used capital grant money to fund operating expenditures on four occasions. I recognize that the funds were eventually replenished and used to fund capital projects on your approved capital plan, but what caused this? Is this something other for-profit corporations do, and are your audits clean every month?

Answer to Question 4:
The need to utilize a portion of the $200 million capital grant advance (the working capital advance) was due to low cash balances, caused in part by delays in operating funding. Amtrak's operating funding was delayed by the timing of continuing resolutions and grant administration.

For-profit corporations generally do not segregate their funds. They raise funds through revenues, loans, or lines of credits and spend those funds on their operating or capital needs from the pool of available funds. In certain, relatively infrequent circumstances, debt may be raised for a specific purpose and the terms of that debt may restrict the use of those funds to that purpose only. The reason they avoid segregation of funds is to avoid the need to maintain duplicative cash balances in multiple accounts with resulting inefficient use of cash.

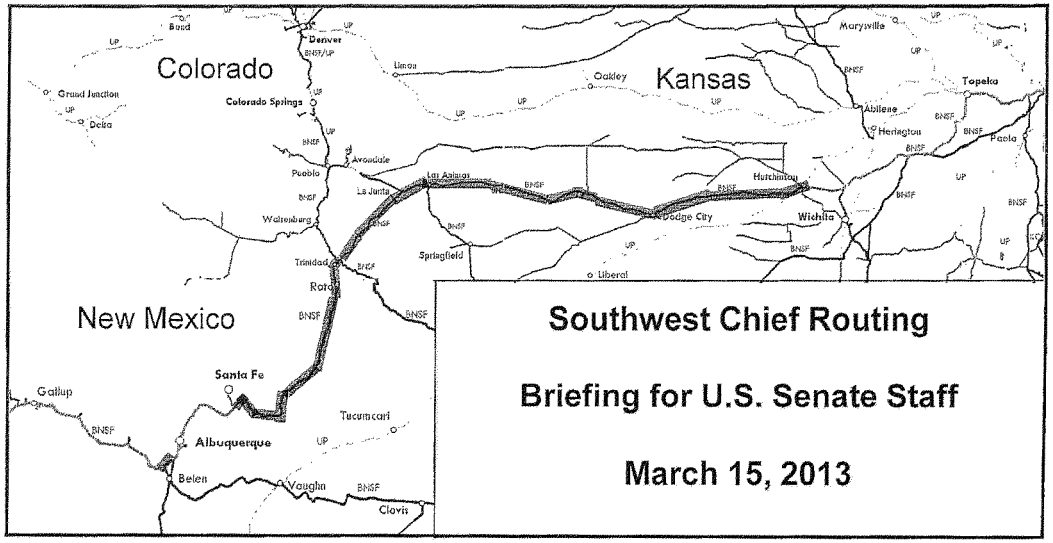
Question 5:
It seems that Amtrak is ending its fiscal years with excess subsidies provided by the Federal Government. I recognize you have a backlog in capital improvements on the Northeast Corridor and elsewhere. What has Amtrak done with the excess subsidies?

Answer to Question 5
During the FY11 and FY12 time period, Amtrak received $220 million in operating appropriations in excess of Amtrak's need. Of the $220 million, $151 million was spent on capital projects as follows:

- $55 million to complete ARRA projects in excess of ARRA funding
- $28 million in progress payments for our new single level passenger cars
- $68 million for additional capital projects

Of the items listed above, approximately $69 million are considered state of good repair. The remaining balance was consumed by changes in working capital, primarily by increases in accounts receivable.

ATTACHMENT A



Southwest Chief Routing

Briefing for U.S. Senate Staff

March 15, 2013

AMTRAK®

Overview

- January 10 route inspection trip recap
- Current route background and situation
- Requirements for preserving current route
- State-by-State cost breakdowns

Amtrak/BNSF Charter Trip

- Amtrak/BNSF organized a special charter passenger train trip for federal, state, and local officials on January 10
- Invited guests were Kansas, Colorado and New Mexico officials concerned about the long term sustainability of the current Amtrak Southwest Chief route in those states
- Infrastructure conditions from Topeka, KS to La Junta, CO were inspected and improvements needed to preserve rail service were discussed

The Situation

- BNSF has shifted through freight traffic from the current route of the *Southwest Chief* to its parallel "Transcon" route
- Local freight, coal, and commuter traffic remain on some portions of the current route
- Although BNSF traffic patterns are subject to change, there are no prospects for regularly scheduled through freight traffic to resume on the *Chief's* current route
- BNSF requires lesser track speeds and ride quality on the line for its remaining purposes
- This will make the current 700-mile Newton-Albuquerque route unsuitable for through passenger service

AMTRAK®

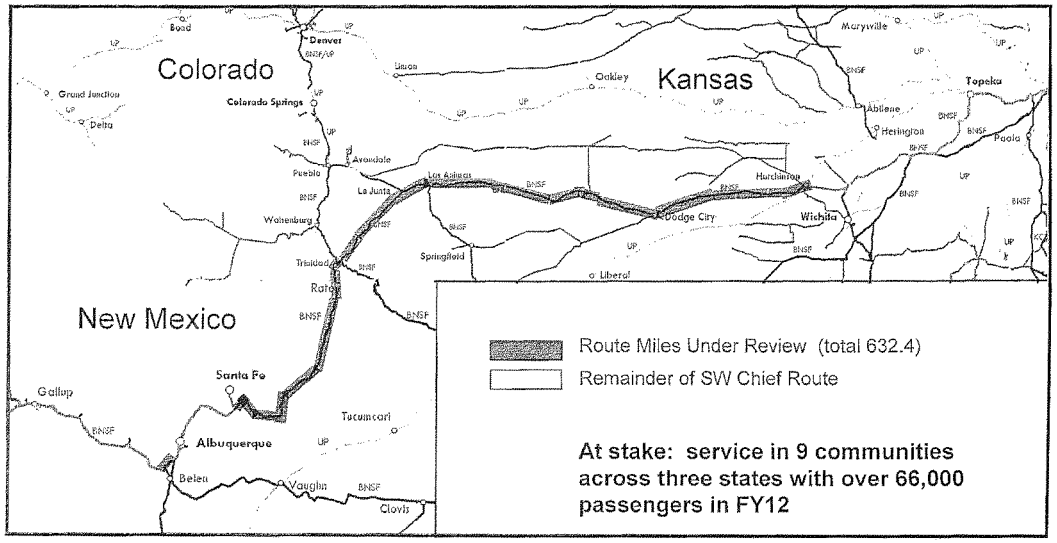
The Options

- Alternatives include funding maintenance on the current route, or re-routing the *Chief* to the "Transcon" main line

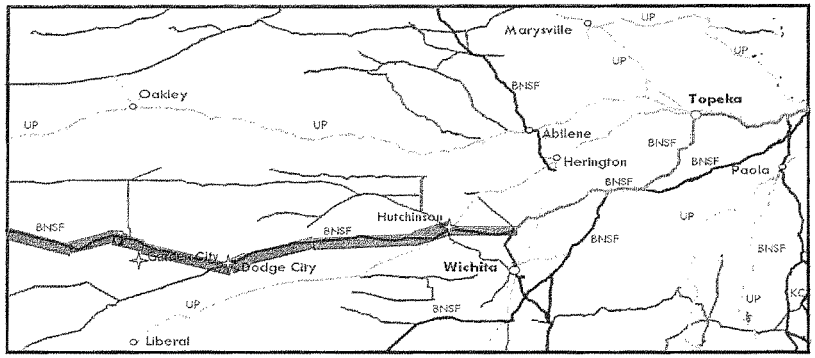
- Both Amtrak and BNSF railroads are committed to work with the affected communities to find a solution to the issue, with Amtrak and BNSF saying the current route is the best for the *Southwest Chief.*

- Many communities and others have made investments in their stations and in otherwise supporting the service – and those efforts are recognized and appreciated.

Current Southwest Chief Route



Current Southwest Chief Route - Kansas



Current Route in Question

Affected Communities	FY 11 Boardings & Alightings	FY12 Boardings & Alightings	Change
Hutchinson	5,185	5,239	1% growth
Dodge City	5,149	5,174	.5% growth
Garden City	7,511	7,887	5% growth

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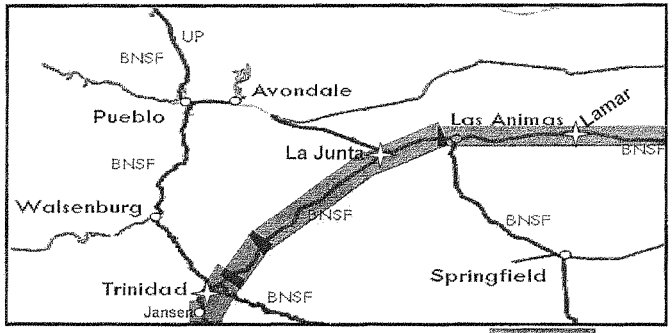
Current Southwest Chief Route - Colorado



Current Route in Question

Affected Communities	FY11 Boardings & Alightings	FY12 Boardings & Alightings	Change
Lamar	1,840	1,936	5% growth
La Junta	6,653	6,566	1% decline
Trinidad	4,535	4,770	5% growth

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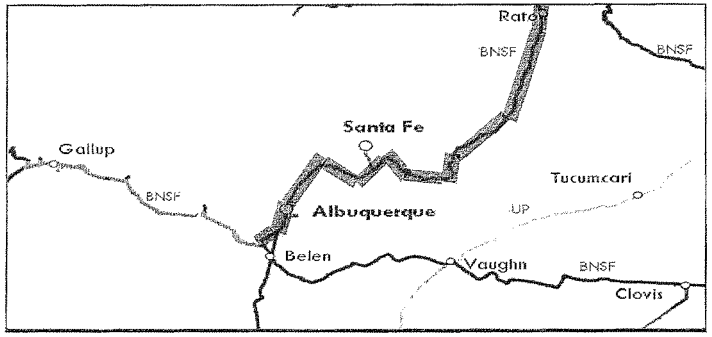
Current Southwest Chief Route – New Mexico



Current Route in Question

Affected Communities	FY11 Boardings & Alightings	FY12 Boardings & Alightings	Change
Raton	16,749	16,292	2% growth
Las Vegas	4,952	5,653	14% growth
Lamy	12,579	12,589	steady

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Preserving the Current Route

- Maintaining passenger service on the current route will involve annual maintenance and capital costs, plus one-time major capital investments
- Annual maintenance costs are estimated at $10 million and must be funded starting January 2016 *at the latest*
- One-time capital needs are in the $100 million range and must be funded within the next 10 years
- If one-time capital needs aren't met, they must be funded over time through increases in the annual maintenance cost
- Cost estimates are based on Amtrak analysis of data provided by BNSF
- Cost estimates are based on existing track condition – if further downgrades happen, costs will rise further as track deteriorates

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Proposed cost sharing arrangement

- As Amtrak cannot absorb these costs on its own, one solution is equal cost-sharing among the five affected parties: Amtrak, BNSF, Kansas, Colorado and New Mexico
  - About $2 million per party per year, with a 20-year commitment
  - Plus $100 million in one-time capital within 10 years

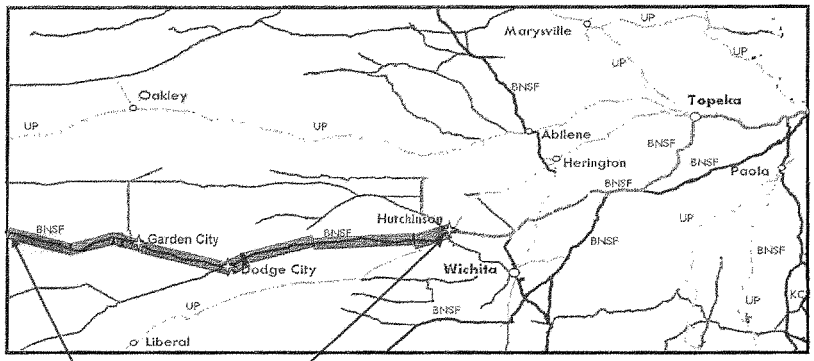
Preserving the Current Route

Other funding possibilities

- Existing federal grant programs (TIGER, HSIPR)
  - Address the one-time capital costs
  - Passenger capital grants may require a non-federal match and a 20-year commitment to operate the passenger service
  - Highly competitive and subject to future federal appropriations
- Future legislation
  - The Senate-passed version of MAP-21 would have created a Federal grant program that could be used for preserving long-distance Amtrak trains, including the Southwest Chief (Section 35107)
    - Amtrak or states could apply for the grants, which would not require a match
    - Would be subject to future federal appropriations
  - Reauthorization of MAP-21 could make rail investments an eligible use of Federal surface transportation aid to States

Kansas Infrastructure Needs

Hutchinson, KS to Colorado Line (244 miles)



KS Portion Under Review

Maintenance and Capital Needs

- 244 miles of supplemental track maintenance
- Extensive rail relay (rail, turnouts crossings) needed within the next ten years
- Once rail relay completed, supplemental track maintenance may not be needed

Work and Cost Data provided by BNSF

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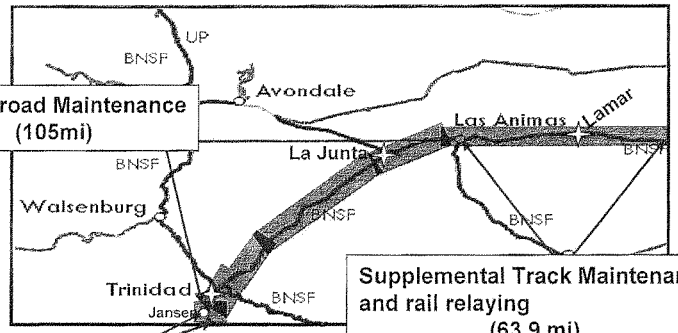
Hutchinson, Dodge City and Garden City generated 17,845 riders in FY 12

Colorado Infrastructure Needs



Host Railroad Maintenance (105mi)

Sole Use Maintenance (13.2 mi)

Supplemental Track Maintenance and rail relaying (63.9 mi)

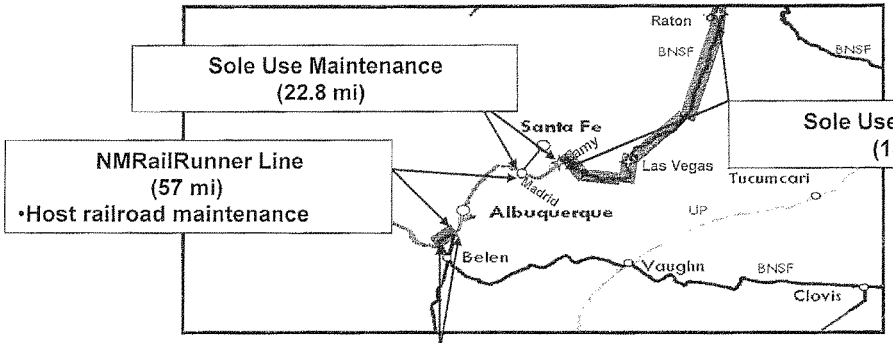
- Once rail relay completed, supplemental track maintenance may not be needed

CO Portion Under Review

Work and Cost Data provided by BNSF

Lamar, Trinidad and La Junta generated 13,272 riders in FY 12

New Mexico Infrastructure Needs



Sole Use Maintenance
(22.8 mi)

NMRailRunner Line
(57 mi)
•Host railroad maintenance

Sole Use Maintenance
(183.44 mi)

Host Railroad Maintenance
(13.2 mi)

NM Portion Under Review

Capital Needs
Bridge and structure work over the next ten years

Work and Cost Data provided by BNSF

Raton, Las Vegas and Lamy generated 34,534 riders in FY 12

Southwest Chief Route – State Summary

(Costs in 2011 Dollars)

	Estimated Annual Net Cost, Ten Year Average*	Estimated Capital Needs over Ten Years
Kansas		
Supplemental Track Maintenance	$1,120,000	
Relay Rail (minus salvage)		$58,400,000
Subtotal	**$1,120,000**	**$58,400,000**
Colorado		
Supplemental Track Maintenance	$275,000	
Sole Use Track Maintenance	$640,000	
Relay Rail (minus salvage)		$30,300,000
Subtotal	**$915,000**	**$30,300,000**
New Mexico		
Sole Use Track Maintenance	$6,727,000	
Bridge/Structures		$3,800,000
Subtotal	$6,727,000	$3,800,000
TOTAL One-Time		**$92,500,000**
Annual cost after Jan 2016, in 2011 dollars	**$8,762,000**	

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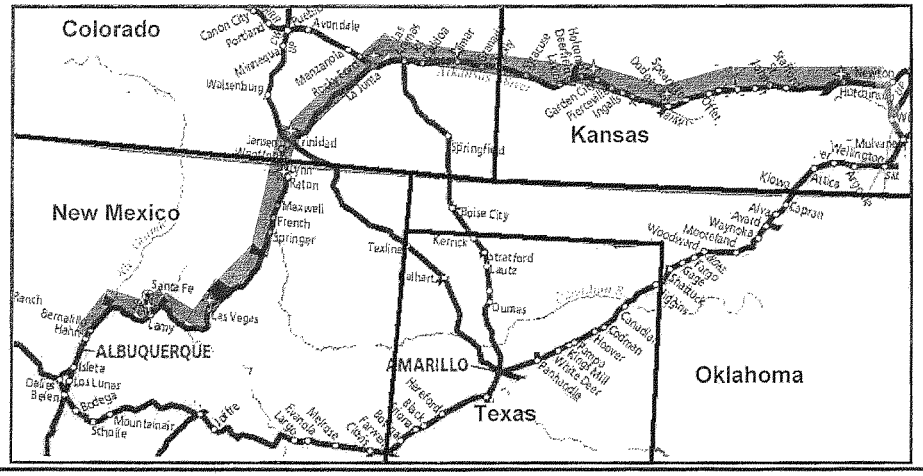
*Annual capital and maintenance costs minus current Amtrak payments to BNSF for maintenance

Amtrak analysis based on Work and Cost Data provided by BNSF

Conclusion

- Decisions and financial commitments will be needed in 2014. Costs must be funded starting January 2016 at the latest.
- If they are not in place, steps will need to be taken to operate the train via a different route between Newton and Albuquerque by 2016.



ATTACHMENT B

Section 209 Estimates, Forecasts, and State Charges under Prior Methodology

May 2013

($ thousands)	Pre-Section 209 Revenue, Contract Values			FY11 v2 Pro Forma (Jun-12)			FY11 v4 Pro Forma (Nov-12)			FY12 v2 Pro Forma (Apr-13)			FY14 v2 Forecast (Apr-13)			FY14v2 vs FY12v2 Pro Forma - Higher(Lower)					
	FY11	FY12	FY12																		
	Rt. Pf. Rpt.[1]	Rt. Pf. Rpt.	Contract Est.[2]	Op	Eq Cap[3]	Total	Op	Eq Cap[3]	Total	Op	Eq Cap[3]	Total	Op	Eq Cap	Total	Op		Eq Cap		Total	
Vermont[4]	$4,635	$4,989	$4,420	$7,144	$650	$7,794	$6,850	$650	$7,500	$6,394	$650	$7,043	$7,092	$1,429	$8,520	+698	+11%	+779	+120%	+1,477	+21%
New York[4]	7,630	2,522	5,290	12,279	9,158	21,436	17,041	9,158	26,198	11,854	9,158	21,012	12,201	10,920	23,122	+347	+3%	+1,762	+19%	+2,110	+10%
NNEPRA (Maine)[5,6]	5,280	4,004	3,455	2,598	1,237	3,835	3,497	1,237	4,734	4,429	1,237	5,666	5,292	3,008	8,300	+1,863	+42%	+1,771	+143%	+3,634	+64%
Connecticut[4]	-	-	-	6,739	563	7,302	6,331	563	6,893	6,070	563	6,633	5,815	1,393	8,209	+745	+12%	+831	+148%	+1,575	+24%
Massachusetts[4]	-	-	-	4,089	341	4,430	3,841	341	4,182	3,683	341	4,024	4,135	845	4,980	+452	+12%	+504	+148%	+956	+24%
Pennsylvania	9,173	8,819	8,820	19,638	4,424	24,062	14,730	4,424	19,154	13,454	4,424	17,878	11,404	5,647	17,051	(2,050)	(15%)	+1,223	+28%	(827)	(5%)
Virginia[5]	(70)	39	2,570	4,763	1,921	6,684	6,210	1,921	8,131	4,180	1,921	6,101	5,379	4,365	9,744	+1,199	+29%	+2,444	+127%	+3,643	+60%
North Carolina	4,650	5,188	4,220	6,821	728	7,549	6,220	728	6,948	5,468	728	6,196	5,891	1,395	7,286	+423	+8%	+667	+92%	+1,090	+18%
Illinois[4,7]	32,069	28,116	27,270	31,852	6,517	38,369	32,077	6,517	38,593	33,891	6,517	40,407	35,501	4,178	39,678	+1,610	+5%	(2,339)	(36%)	(729)	(2%)
Wisconsin[4]	5,802	5,018	6,000	4,072	1,217	5,289	4,034	1,217	5,251	3,704	1,217	4,921	4,340	1,583	5,922	+635	+17%	+365	+30%	+1,001	+20%
Michigan	7,944	7,866	8,000	18,565	5,204	23,769	18,580	5,204	23,784	19,260	5,204	24,464	20,460	5,198	25,658	+1,200	+6%	(6)	(0%)	+1,194	+5%
Oklahoma[4]	1,905	1,492	1,900	2,349	468	2,817	2,438	468	2,906	2,237	468	2,705	2,344	559	2,903	+108	+5%	+90	+19%	+198	+7%
Texas[4]	1,905	1,608	1,900	2,349	468	2,817	2,438	468	2,906	2,237	468	2,705	2,344	559	2,903	+108	+5%	+90	+19%	+198	+7%
Indiana	-	-	-	2,951	641	3,592	2,972	641	3,613	3,029	641	3,670	2,534	429	2,963	(495)	(16%)	(212)	(33%)	(707)	(19%)
Missouri	8,613	8,291	8,480	6,759	1,027	7,786	7,346	1,027	8,373	8,335	1,027	9,362	8,594	1,255	9,849	+259	+3%	+228	+22%	+487	+5%
California - Caltrans	59,956	57,382	60,740	63,808	4,322	68,130	64,752	4,322	69,074	67,995	4,322	72,317	72,185	12,004	84,189	+4,190	+6%	+7,682	+178%	+11,872	+16%
California - CCJPA	28,117	30,568	29,610	29,040	1,424	30,464	28,748	1,424	30,172	29,070	1,424	30,494	29,652	-	29,652	+582	+2%	(1,424)	(100%)	(842)	(3%)
Oregon[4]	-	-	5,938	7,290	646	7,936	7,569	646	8,215	6,135	646	6,781	8,319	1,231	9,551	+2,184	+36%	+586	+91%	+2,769	+41%
Washington State[4]	12,632	15,109	9,436	12,152	1,077	13,228	12,615	1,077	13,692	10,227	1,077	11,303	13,867	2,053	15,919	+3,640	+36%	+976	+91%	+4,616	+41%
	$190,240	$179,008	$188,049	$245,258	$42,031	$287,289	$248,288	$42,031	$290,317	$241,651	$42,031	$283,682	$259,348	$58,049	$317,398	+17,697	+7%	+16,018	+38%	+33,715	+12%

Notes

1. Reflects revenue from States booked by Amtrak during FY11. Due to timing issues with agreements, higher than average revenue was booked from Illinois and no revenue was booked from Oregon.
2. Reflects Amtrak estimate of 12-month contract value. Some State contracts are not on the same cycle as the Amtrak fiscal year.
3. Equipment Capital estimate released in June 2012 had route-specific forecasts beginning in FY12.
4. For routes in multiple States, assumes sharing agreements between States. Some of these agreements are currently under discussion.
5. For NNEPRA, contract began in July-12, was based on Section 209 pricing including operating and equipment capital, and as shown does not include Brunswick.
6. FY14 includes new service not in FY12: For Maine, extension to Brunswick; for Virginia, new service to Norfolk.
7. Includes equipment capital credits for equipment overhauls performed prior to Section 209 implementation, as stated in the Section 209 policy.

See detailed forecasts for specific route changes between versions. Forecast numbers may change based on future service changes requested by States.

Metropolitan Policy Program
at BROOKINGS

PROJECT ON STATE AND METROPOLITAN INNOVATION

A New Alignment: Strengthening America's Commitment to Passenger Rail

Robert Puentes, Adie Tomer, and Joseph Kane

"States will play an increasingly prominent role shaping the future of American passenger rail."

Summary

American passenger rail is in the midst of a renaissance. Ridership on Amtrak—the primary U.S. carrier—is now at record levels and growing fast. This research shows that the country's 100 largest metropolitan areas are primarily behind this trend, especially ten major metros responsible for nearly two-thirds of total ridership. Driving the connection between these metropolitan areas are short-distance corridors, or routes traveling less than 400 miles, that carry 83 percent of all Amtrak passengers. States now have formalized relationships with Amtrak to upgrade tracks, operate routes, and redevelop stations. The result is a new federalist partnership where Amtrak, the federal government, and states share responsibility for the network's successes and failures. To continue the reinvention, this report recommends that Amtrak, the federal government, and states should:

- Broker a new agreement between Amtrak and the states to share operating costs and other responsibilities for corridors longer than 750 miles;
- Refine existing programs to promote intermodalism, empower broader funding flexibility towards rail activities, and create a dedicated funding source for future rail investments;
- Complete a national rail plan, do more to promote multistate rail compacts, and foster a stronger relationship between public agencies and private capital and management firms

Introduction

Across the nation, there are ongoing deliberations as to which transportation and infrastructure assets will support the next American economy. The freight railroads tout their energy efficiency and role in exporting goods. Aviation is a key industry when it comes to fostering the global intermetropolitan connections critical for future economic growth. Car manufacturers are recasting themselves as consumer electronics manufacturers, expanding notions of *mobility* into *connectivity*. And many mass transit agencies are experiencing something of a renaissance as they contribute to building communities instead of just moving people from point A to point B.

What about passenger rail and its notoriously beleaguered provider, Amtrak? Considered by some to be a big, bloated bureaucracy incapable of change and dependent on federal subsidies, it may seem more representative of a bygone era and no longer relevant in the globally-oriented and technologically-enabled metropolitan economies of today.

But look again. Although faced with an uncertain future ever since its creation in 1971, Amtrak is reinventing itself.

A new partnership between states and the federal government focused on improving operations and financial sustainability is taking hold. As a result, it has opened up a valuable and important debate about the very future of American passenger rail.

This report is intended to inform that conversation by examining key trends of passenger rail in America today. First, we assess national rail travel trends over time, looking at passenger data since 1997. We then disaggregate those national passenger statistics to uncover the specific metropolitan areas generating the majority of travel. The next section analyzes routes based on their length, examining both ridership and financial performance. Finally, we synthesize these findings into a series of federal implications and implementable recommendations for policymakers.

In the end we find that because of this new policy alignment, passenger rail in the United States is on the track to success. But given Amtrak's complex and unique nature as a quasi-public national corporation, several key reforms are needed to enhance the new model for federalism and support dynamic metropolitan growth.

Background

For a generation, American passenger rail has existed in an amazingly difficult political sphere. From Amtrak's creation all the way through the recent dust-up over high speed rail, attitudes in Washington waxed and waned.

Following World War II, the private passenger rail industry in the United States suffered. Rapid decentralization of metropolitan areas and an aggressive national interstate highway construction program created a dramatic shift towards automobile and truck travel.[1] Subsequent advances in aviation further reduced ridership, and both freight and intermetropolitan passenger rail miles dropped sharply.

At several points, the federal government intervened, not only to maintain passenger rail service, but also to sustain and revitalize the railroad companies themselves. In the mid-1950s, declines in industrial production and increased operating costs, especially in the eastern United States, meant many railroad companies were in deep financial trouble. In response, Congress passed the sweeping Transportation Act of 1958. That law provided $500 million in loans to railroad companies and enabled them to abandon certain passenger routes and shift some of their services toward more profitable freight business.[2] Partly as a result, 75 percent of the passenger train mileage in the United States disappeared between 1958 and 1971.[3]

In order "to do something about improving the speed and the convenience" of passenger rail travel in the United States, President Lyndon Johnson signed the High-Speed Ground Transportation Act in September 1965, which provided funding to develop and demonstrate advanced rail technology in the Northeast Corridor from New York to Washington.[4] These original "Metroliners" were developed as a public-private partnership between the U.S. Department of Transportation and companies like General Electric and Westinghouse and began operation in 1969.[5]

Alarmed by continued ridership declines overall and threats of more route abandonment, Congress passed the Rail Passenger Service Act in 1970. For the first time, the federal government removed the mandate that rail firms provide passenger service. It also created the National Railroad Passenger Corporation, later known as Amtrak, allowing private rail companies to join the new national system. Amtrak was given the exclusive right to operate on the freight rail companies' tracks and was "given preference over freight railroads in regard to track use."[6] According to one analyst, it was the first time in American history that Congress intervened in the economy "to save a service that was being replaced by [other] alternatives."[7] Almost all private railroads would henceforth provide only freight service.

Amtrak was initially created as a for-profit enterprise with common stock issued only to railroads, though only four chose to become stockholders.[8] The law also charged the federal transportation secretary with choosing the metropolitan areas that would constitute the basic system of service. The initial plan was for lines radiating out from Chicago and New York, with routes chosen based on a set of clear criteria including cost effectiveness. However, once the plan was released for comment, "political resource allocation abounded through the system" and additional routes were added.[9]

While some freight companies enjoyed success under the new arrangement, major problems arose in the Northeast. A series of bankruptcies, including that of the enormous Penn Central Transportation

Company, forced Congress to create an Amtrak-like for-profit entity on the freight side, later known as the Consolidated Rail Corporation (Conrail). Importantly for passenger rail service, Amtrak acquired most of the railroad tracks between Boston and Washington as a result of the new legislation—about 365 miles. Previously, Amtrak did not own any of its trackage.[10]

Shortly thereafter, as operating losses continued to mount and it became clear that Amtrak would not be financially stable, Congress amended Amtrak's statute in 1978, so that it would now be "operated and managed as a for-profit corporation" instead of just "a for-profit corporation."[11] The idea behind this subtle change was that although Amtrak might not be totally free of federal subsidies to fund its operations, it would be run more like a business. It would have clear goals and sounder financial management, while making a transition to more alternative funding sources, especially from the states.

During the 1980s Amtrak drew little support from President Ronald Reagan, who proposed "zeroing out" Amtrak in all eight of his annual budget proposals to Congress. By the mid-1990s—and after over $20 billion in federal support—Congress opted for a different approach. The Amtrak Reform and Accountability Act of 1997 decreed that the corporation would be operationally self-sufficient within five years and authorized it to both add new routes and close others. The Amtrak Reform Council was established to oversee this transition.

The decree was not met. At the end of fiscal year 2001, Amtrak announced a record operating loss of $1.1 billion, and the Reform Council declared, "Amtrak is no closer to self-sufficiency today than it was in 1997."[12] The council advised continued government funding of the program while simultaneously laying out a plan for the restructuring of Amtrak. The proposal recommended that it be restructured as a federal agency that would provide oversight to two companies, one that would run national passenger rail operations and another that would deal specifically with the Northeast Corridor. After a transition period, Amtrak would have the authority to franchise certain routes and operations.

The Reform Council's plan met strong opposition in Congress and the federal government continued to provide financial support to Amtrak without implementing any of the council's major recommendations. In 2005 and 2006, the controversy over the future of America's passenger rail network boiled over. President George W. Bush's fiscal year 2006 budget once again proposed eliminating all operating subsidies, which stood at $700 million in 2005, and Amtrak's president was fired in November 2005 after refusing to step down.[13]

Despite the bleak period, Amtrak survived. But the years of tension and uncertainty required federal and state policymakers to broker a new arrangement to improve the company's finances and operating performance.

The Passenger Rail Investment and Improvement Act (PRIIA) of 2008 laid out a new vision and sought to reorient the federal-state relationship through a five-year authorization. Until PRIIA, Amtrak limped from annual appropriation each year "without knowing how much funding Congress would provide," making it difficult (and costly) for Amtrak to conduct long-term planning and investment decisions.[14] While the new arrangement does not provide for certainty in annual appropriations, it did allow for the restructuring of debt and loans and provided a longer-term approach for improving performance. PRIIA directed Amtrak to establish metrics and benchmarking across multiple operational categories. This included in-depth performance plans for the system's long-distance routes, and maintains the Federal Railroad Administration's authority to withhold funds if Amtrak failed to meet certain performance goals.

But achieving better performance—both financially and operationally—also demanded a new kind of commitment from Amtrak's state partners. Therefore, reinforcing the need for state involvement, PRIIA called for the development of state rail plans.[15] Those plans required: a central authority for operational management and representation with private and public authorities; coordination with other state and metropolitan investment plans; objectives and priorities for the rail program; and a reviewable plan of action. While drafting a plan is technically optional, failure to do so makes a state ineligible for new capital assistance grants under PRIIA.

PRIIA also sought to rationalize the funding responsibilities between the federal government and its state partners. Although Amtrak traditionally covered many of the costs associated with short-distance corridors, ranging from rolling stock to track maintenance, 15 states have paid at least a portion of the

B

Table 1. States Ranked by Operating Support for Amtrak Routes, Fiscal Years 2007-2011 (In thousands)

Sponsoring State	Number of Supported Routes	Total Support 2007-2011
California	3.00	$400,169
Illinois	3.25	$134,529
Pennsylvania	1.00	$40,487
Michigan	2.00	$35,362
Missouri	1.00	$33,539
Washington	0.50	$32,431
Oregon	0.50	$32,431
Wisconsin	0.75	$27,532
New York	1.00	$23,180
North Carolina	2.00	$22,167
Maine	1.00	$22,137
Vermont	2.00	$19,910
Oklahoma	0.50	$8,771
Texas	0.50	$8,771
Virginia	2.00	$135
Total		**$841,549**

Source: Brookings analysis of Amtrak internal financial data

operating expenses for 21 different routes in order to augment the rail service they would otherwise receive.[16] From 2007 to 2011, these state contributions totaled nearly $850 million (Table 1).

Some states devised their own agreements to share support for certain routes, such as Illinois and Wisconsin's 25/75 percent split for the *Hiawatha* service, and Oklahoma and Texas' 50/50 percent split for the *Heartland Flyer*. Other routes, despite crossing state borders, are only supported by one state. For example, while the *Downeaster* traverses three separate states in New England, Maine has served as the only sponsoring state beyond Amtrak. North Carolina, likewise, has served as the only sponsoring state for the *Carolinian*, despite the fact that this route extends from Charlotte to New York City. (See Box 1.)

A 2010 report found that few states have any dedicated funding for Amtrak operations. Support largely comes from annual appropriations from the general fund or from other transportation accounts. Exceptions include Pennsylvania, which dedicates a portion of the Public Transportation Trust Fund to intermetropolitan rail operations. Oregon uses a dedicated portion of revenue generated from personal license plate fees. Washington state taps motor vehicles sales taxes and car rental fees.[17] In contrast, other states restrict the use of other transportation funding, such as state gas tax proceeds, for anything but highways.

It is important to note that state support for intermetropolitan rail goes well beyond their operational support for certain Amtrak routes. Often states provide capital assistance for shared services like commuter rail, emerging high-speed rail, or other services like marketing and advertising.[18] Some states, such as California, also subsidize feeder bus services from rail stations to access rural areas.[19] In addition, metropolitan areas and localities can provide direct support, mostly through capital grants and contributions, for station rehabilitation.

With such variety in state operating and capital support, PRIIA attempted to bring more consistency to this federal-state partnership. It required Amtrak and the states to develop a uniform cost structure for intermetropolitan routes, taking into account the level of service provided, among other factors. The states reached agreement in March 2012 on a common funding formula for all parties, of which the operational funding potion will take effect in October 2013.[20] Importantly, this provision only applies to high-speed rail corridors and the short-distance rail corridors that stretch 750 miles or less from end to end and are located outside the Northeast Corridor (NEC). Long-distance routes, as such, are not included.

While PRIIA significantly altered the federal-state partnership on passenger rail, the program remains dependent on the federal general fund. Amtrak is still without a dedicated funding source for its operations and capital investments. In this way, PRIIA did not change the political dynamics in Washington.

Unexpectedly, it was the American Recovery and Reinvestment Act in 2009—and the $8 billion it provided to jumpstart the federal High Speed Rail program—that altered the political landscape. The program was hugely over-subscribed by state applicants seeking funding via the competitive grants; the federal government received $102 billion in pre-applications and $55 billion in final applications. In the end, federal authorities funded 38 projects in 31 states, with most funds flowing to 13 specific corridors.[21] By making major capital funding available, the federal government unleashed a wave of interest across the country.

Examples of State Innovation in Passenger Rail

Following PRIIA, states will play an increasingly prominent role shaping the future of American passenger rail. Along with Amtrak, they must target investments more precisely and develop plans more comprehensively, better tailoring maintenance needs and capital improvements to local demands. Some states, notably North Carolina and Maine, have already adopted such strategies and offer innovative and replicable models.

North Carolina: A Sustained Commitment

There are currently two state-supported routes in North Carolina, the *Carolinian* and the *Piedmont*, largely successful because of continued backing at the state level. Responding to increased ridership and revenues, the North Carolina Department of Transportation's (NCDOT) Rail Division has aimed to improve on-time performance, add service capacity, expand community engagement, and identify other long-term priorities along the two routes.[22]

The *Carolinian* runs between Charlotte and New York City, though North Carolina is the only state contributor to the route's operation. The state actively markets the service, which also benefited from the rehabilitation and construction of stations that allowed for greater access to passenger rail and heightened the economic potential of surrounding communities.[23]

Created in 1995, the *Piedmont* operates daily round-trip trains between Raleigh and Charlotte with several intermediate destinations. The *Piedmont* is unique compared to many other routes across the nation, as Amtrak operates it yet NCDOT designed and owns its rolling stock.[24] Perhaps most significantly, the *Piedmont* operates on tracks that fall under the authority of the state-owned North Carolina Railroad Company (NCRR).[25] While NCRR leases rights to Norfolk Southern Railway for freight movement, it encourages economic development along the rail corridor and completes various capital improvement projects. Since the state owns the NCRR, North Carolina is able to exert more control over its rail infrastructure, making it easier to repair tracks and consider other improvements. The *Piedmont*, as such, has met rising demand for passenger rail service and receives much needed investment for capital projects.

Maine: A New Governance Model

The Boston-Portland-Brunswick *Downeaster* is one of the fastest-growing Amtrak routes nationally, with state-led efforts primarily driving its creation and success.[26] The Maine State Legislature established the Northern New England Passenger Rail Authority (NNEPRA) in 1995 to manage passenger rail service from Boston to Maine. NNEPRA was critical in carrying out a $62 million track rehabilitation project to make way for the *Downeaster*.[27] More recently, NNEPRA has invested an additional $10 million to allow for greater speeds and improve service reliability.

As a regional body, NNEPRA has helped forge partnerships and coordinate action on passenger rail service at the state level. By working with local communities and stakeholders, including Pan Am Railways and the Massachusetts Bay Transportation Authority (MBTA), NNEPRA is able to develop an efficient and responsive planning strategy. Through this process, NNEPRA can also manage its capital projects and link the *Downeaster* service to broader economic development opportunities.

With NNEPRA's support, the *Downeaster* has benefited communities along its route in a variety of ways. Through a series of marketing campaigns, for example, the *Downeaster* has drawn thousands of additional travelers to Maine each year, increasing spending, tourism, and the potential for future development. In total, the *Downeaster* is estimated to directly or indirectly employ more than 200 people, while having a $12 million annual economic impact from visitors to Maine.[28]

Many of the winners from that process included members of multistate compacts. For example, the eight-state Midwest Regional Rail Initiative, who adopted a common rail plan in 2004 and jointly applied for ARRA funding, received nearly as much funding ($2.2 billion) as did California ($2.3 billion). Virginia and North Carolina also adopted a compact in 2004, and received a total of $620 million. Each of these states will partner with Amtrak for the high speed service. Most of the projects are directed to upgrading and modernizing the existing passenger rail network, such as improving signals and surfaces in Vermont, siding extensions in Washington state, and testing 110 mph service between Chicago and St. Louis.[29] For its part, Amtrak implemented required reforms, issuing performance reports on long-distance corridors and formally mapping a future for the Northeast Corridor.

Despite these successes, 2013 has the potential to be a pivotal year for American passenger rail. PRIIA expires in September and while Congress has pledged to make reauthorization of the law a priority, certain thorny issues like the future of long-distance corridors still remain. Meanwhile, the new requirement for states to financially support their short-distance corridors is less than a year away from implementation, meaning annual costs will go up in some places. Related, the potentially profitable routes on the coasts continue to be frequent targets in calls for privatization. Finally, even with PRIIA's significant federal-state partnership reforms, the program still remains dependent on the federal general fund and operates without a dedicated funding source.

In light of the divergent attitudes towards passenger rail in America, this research aims to inform that debate through the use of localized ridership and financial data. The data tracks the modern history of Amtrak starting in 1997, the same year as the signing of the Amtrak Reform and Accountability Act, and concludes in 2012, four years into PRIIA implementation. This is the first analysis to focus on metropolitan area statistics for passenger rail rather than individual stations or cities. Its findings will help policymakers and state leaders better understand the location dynamics of Amtrak: where it works well, and the areas poised to benefit from new and expanded services.

Findings

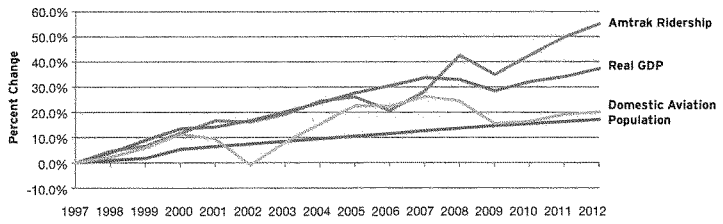
A. Amtrak ridership grew by 55 percent since 1997, faster than other major travel modes, and now carries over 31 million riders annually, an all-time high.

Amtrak experienced a significant increase in national ridership after 1997. Using Amtrak's fiscal period of October to September, Amtrak's total boardings and alightings jumped 55.1 percent from 1997 to 2012.[30] To put this increase in perspective, it outstrips population growth (17.1 percent) more than threefold over the same period and exceeds the growth in real gross domestic product (37.2 percent).[31] With Amtrak setting ridership records for nine of the past ten years, including the new all-time high in 2012, there is a great chance Amtrak's passenger growth will continue to far outpace growth in population and GDP.

In addition, Amtrak's passenger growth also exceeds all other domestic transportation modes (Figure 1).[32] The most appropriate modal comparison is domestic aviation, since Amtrak and major airlines compete along certain corridors. In this case, Amtrak more than doubled the growth in domestic aviation passengers (20.0 percent) over the same sixteen-year period. Similarly, Amtrak also far exceeded the growth in driving (measured by vehicle miles traveled per year; 16.5 percent) and transit trips (26.4 percent). All three modes do carry larger aggregate quantities of people, but these growth trends serve as evidence of changing attitudes toward train travel.

The ridership increase over the period was mostly one of continuous growth. As Figure 1 shows, in only three of the sixteen years was there an annual ridership drop in rail passengers, with the largest drop experienced between 2008 and 2009. The Great Recession affected passenger rail like most other industries, leading to a 5 percent drop in passenger levels between the two years. But since then Amtrak staged a major rebound—recapturing all of its passenger losses and setting record highs through the end of 2012. In contrast, the number of domestic airline passengers remains at late 2004 levels, still having not recaptured the record passenger levels pre-recession.

Figure 1. Growth Since 1997: Real GDP, Population, Amtrak Ridership, and Domestic Aviation



Source: Brookings analysis of BEA (Real GDP), Census (Population), Amtrak (Ridership), DOT (Aviation) data

B. The 100 largest metropolitan areas generate nearly 90 percent of Amtrak's ridership, especially those in the Northeast and West.

The country's 100 largest metropolitan areas are responsible for 87.8 percent of Amtrak's ridership. This was a slight increase from the same metropolitan areas' ridership share in 1997, proving there is a consistent ridership concentration in these large population centers.

While the largest metropolitan areas dominate Amtrak ridership, the story is even more telling when combined with national population shares. The 100 largest metropolitan areas generated 87.8 percent of all boardings and alightings in 2012, but they did so with only 65.0 percent of the country's population. Comparatively, the remaining metropolitan areas' ridership share was less than half of their national population share. Trailing even further, the micropolitan areas' ridership was only slightly over a quarter of their national population share. Last were the non-metropolitan/micropolitan areas, where ridership was merely an eighth of their national population share.[33]

Table 2. Amtrak Ridership, Fiscal Years 1997 and 2012, and Population, Calendar Year 2011

	1997		2012		2011	
Geography	**Ridership**	**Share**	**Ridership**	**Share**	**Population**	**Share**
System	**40,282,852**	**100.0%**	**62,481,130**	**100.0%**	**313,910,777**	**100.0%**
Micropolitan Areas	884,499	2.2%	1,625,536	2.6%	30,943,552	9.9%
Other Metropolitan Areas	4,202,729	10.4%	5,316,712	8.5%	56,592,916	18.0%
Non-Metro/Micro	513,706	1.3%	686,393	1.1%	24,649,462	7.9%
100 Largest Metropolitan Areas	34,681,919	86.1%	54,852,489	87.8%	201,724,847	64.3%
50 Largest Metropolitan Areas	*31,175,876*	*77.4%*	*48,210,938*	*77.2%*	*166,033,092*	*52.9%*
25 Largest Metropolitan Areas	*28,197,816*	*70.0%*	*43,163,838*	*69.1%*	*127,027,407*	*40.5%*
10 Largest Metropolitan Areas	*22,312,105*	*55.4%*	*32,926,198*	*52.7%*	*80,439,034*	*25.6%*
5 Largest Metropolitan Areas	*17,354,655*	*43.1%*	*23,535,255*	*37.7%*	*53,524,167*	*17.1%*

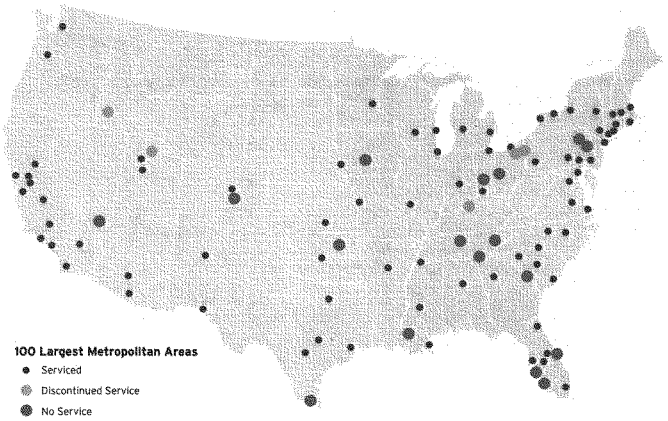
Note: Ridership measured as total boardings and alightings
Source: Brookings analysis of Amtrak and Census data.

Table 3. Amtrak Ridership, Fiscal Years 1997 and 2012, 100 Largest Metropolitan Areas by Region

	1997		2012	
Region	**Boardings and Alightings**	**Share**	**Boardings and Alightings**	**Share**
Northeast	17,035,153	49.1%	25,103,926	45.8%
South	6,930,215	20.0%	11,051,615	20.1%
Midwest	3,579,625	10.3%	5,935,847	10.8%
West	7,136,926	20.6%	12,761,101	23.3%
All 100 Metros	**34,681,919**	**100.0%**	**54,852,489**	**100.0%**

Note: Ridership measured as total boardings and alightings
Source: Brookings analysis of Amtrak and Census data.

Map 1. 100 Largest Metropolitan Areas' Amtrak Train Service



Note: The Desert Wind route served metropolitan Las Vegas through part of 1997, but there is no metropolitan ridership data for that year
Source: Brookings analysis of Amtrak and Census data (Regions Determined by Census)

It is important to note that while this analysis focuses on the 100 largest metropolitan areas, only 77 of them actually maintain passenger rail service (See Map 1 and Appendix A.) The only two Northeastern metropolitan areas in the top 100 without service—Allentown and Scranton—are relatively close to metropolitan Philadelphia and New York. In addition, none of the Northeastern metropolitan areas saw their service discontinued during the sixteen-year period. Only four of the West's 23 large metros (not including Honolulu) were without Amtrak service during 2012, and two of those metros—Colorado Springs and Ogden—are adjacent to metros with service. The two remaining metros, Boise and Las Vegas, both lost Amtrak service in 1997.[34]

Of the 38 large metropolitan areas in the South, 10 never enjoyed Amtrak service and Louisville only maintained service during a short period in the 2000s. The missing service is especially pronounced in Tennessee, where only Memphis carries Amtrak service to the North and South. Five of the 19 large metros in the Midwest are without service including Columbus, the largest in the country without Amtrak. Interestingly, Columbus and Dayton expected to receive service via ARRA's high-speed rail grants, but the state returned the funding prior to any capital investments.

C. Only ten metropolitan areas are responsible for almost two-thirds of Amtrak ridership.

Passenger rail in the United States is dominated by just a handful of major metros concentrated on the coasts,with the exception of Chicago. These ten places also were the only metros to generate over a million boardings plus alightings, whether in 2012 or in any of the other sixteen years. Table 4 shows that all 10 metros' ridership growth exceeded their population growth over the same period. As discussed in the next finding, all 10 metros maintain at least one Amtrak short-distance service.

Irrespective of national ridership shares, the vast majority of the 100 largest metro areas with Amtrak service experienced ridership growth during the sixteen-year period. Across the country, 69 of the 75 metros that had service in 1997 increased their total ridership by 2012, with an average increase of 89.3 percent. The two metros that added service during the period, Oklahoma City and Phoenix, also generated dramatically more ridership from their initial service year to 2012.

Leading this growth was a group of twenty metro areas that at least doubled their passenger levels during the period. In general, these metro areas tended to either enjoy short-distance connections with regional peers, receive capital upgrades either within their metro area or along one of their connected corridors, or both. Eight of those metros more than tripled their ridership: Phoenix, Dallas, Austin, Tampa, Lancaster, Harrisburg, Oklahoma City, and Boston. Another group of twelve metro areas saw ridership double: Sacramento, Indianapolis, New Haven, Little Rock, Provo, Greensboro, San Jose, Providence, Milwaukee, San Francisco, St. Louis, and Bridgeport.

Amazingly, only six metro areas experienced ridership declines between 1997 and 2012. Worcester and Denver were the only metro areas to lose more than 20 percent of its ridership, though three other metro areas lost at least 10 percent: Cincinnati, Jacksonville, and Greenville, SC.[35] As discussed below, none of these six metro areas maintains short-distance corridor service.

Appendix A includes ridership statistics, measured by both boardings and alightings, for the 100 largest metropolitan areas.

Table 4. 10 Largest Metropolitan Areas by Amtrak Ridership, Fiscal Years 1997 through 2012

Metropolitan Area	Boardings and Alightings: 2012	Boardings and Alightings Change: 1997 to 2012	Population Change: 1997 to 2011	National Boardings and Alightings Share: 2012
New York-Northern New Jersey-Long Island, NY-NJ-PA	10,855,647	22.9%	10.6%	17.4%
Washington-Arlington-Alexandria, DC-VA-MD-WV	5,797,689	59.9%	27.2%	9.3%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	5,295,206	26.0%	8.9%	8.5%
Chicago-Naperville-Joliet, IL-IN-WI	3,757,555	64.1%	9.2%	6.0%
Los Angeles-Long Beach-Santa Ana, CA	3,424,851	71.5%	9.8%	5.5%
Boston-Cambridge-Quincy, MA-NH	3,167,716	211.1%	9.0%	5.1%
San Francisco-Oakland-Fremont, CA	2,058,032	113.4%	11.4%	3.3%
Baltimore-Towson, MD	1,776,500	49.8%	10.3%	2.8%
Sacramento--Arden-Arcade--Roseville, CA	1,760,373	197.2%	29.6%	2.8%
San Diego-Carlsbad-San Marcos, CA	1,536,298	26.5%	15.4%	2.5%

Note: Ridership measured as total boardings and alightings
Source: Brookings analysis of Amtrak and Census data.

D. The short-distance routes consistently dominate Amtrak ridership share and captured nearly all of Amtrak's recent growth

Simply put, short-distance routes are the engines of Amtrak ridership.[36] When only considering corridors of 400 miles or less—an accepted distance for optimal rail ridership—these short corridors are responsible for over 80 percent of all Amtrak ridership.[37] This finding and Finding E subdivide routes according to Amtrak's reporting divisions and base distance on the weighted distance method. For more information, see Appendix C.

Ridership divides somewhat equally across the sub-400 mile category: twelve routes are less than 200 miles, six routes are between 200 and 300 miles, and eight routes are between 300 and 400 miles. Together, these routes produced 82.9 percent of national fixed ridership in 2012. Amtrak's departures tend to mirror this ridership share; about nine in ten daily departures occur on one of these 26 routes.

These short-distance routes are also responsible for nearly all of Amtrak's ridership gains during the sixteen-year period. They added over 10.3 million riders between 1997 and 2012; a 90.3 percent share of national ridership gains. Table 5 segments these routes by length and includes categories for those under 400 miles (the optimal length for competitive intermetropolitan rail), over 750 miles (those routes not required to have state operating support), and those in between.[38]

The under 400-mile routes are anchored by the strongest metropolitan performers from Finding C. The Northeast Corridor and Acela trains combined to move over one-third (36.5 percent) of all riders in 2012. This has generally been the historical trend: in the late 1990s the *Northeast Regional, Clocker,* and *Metroliner* routes (all of which operated along the Northeast Corridor) contributed over half of the nation's ridership. A major reason for this outsized share is the metros served by the corridor—the trains connecting Boston to Richmond through New York, Philadelphia, and Washington service 11 of the nation's 100 largest metropolitan areas.[39] The routes also enjoy 47 typical daily departures, creating optimal scheduling flexibility for passengers.[40]

The next two strongest performers are the intermetropolitan routes in Southern and Northern California. The *Pacific Surfliner* primarily connects San Diego and Los Angeles, with a portion of trains running north to Santa Barbara and San Luis Obispo via Oxnard. Traveling an average weighted distance of 183 miles, these twelve daily departures generated 8.5 percent of national ridership in 2012. To the north, the *Capitol Corridor* between Sacramento and Oakland or San Jose carried another 5.6 percent of riders. The *Capitol Corridor* is even shorter (113 weighted miles) but relies on 15 typical departures, creating less ridership per departure than its cousin to the south. All six of the remaining top 10 routes also travel less than 400 miles, and they too involve the same core metropolitan areas from the previous four routes.[41]

However, traveling a short distance is no guarantee of large ridership numbers. The routes producing three of the four smallest ridership shares also travel less than 400 miles: the *Hoosier State, Ethan Allen Express*, and *Heartland Flyer*. Yet, it is important to note that while these routes may generate low ridership numbers, their limited distance and operational costs are a small financial burden for Amtrak.

Table 5. Amtrak Ridership, by Route Length, Fiscal Years 1997 to 2012

	FY 1997		FY 2012		Change: FY97-FY12	
Corridor Length	**Ridership**	**Share**	**Ridership**	**Share**	**Ridership**	**Percent**
Under 400 Miles	15,491,167	78.6%	25,857,883	82.9%	10,366,716	66.9%
400 - 750 Miles	476,000	2.4%	600,511	1.9%	124,511	26.2%
Over 750 Miles	3,741,000	19.0%	4,736,187	15.2%	995,187	26.6%
TOTAL	**19,708,167**	**100.0%**	**31,194,581**	**100.0%**	**11,486,414**	**58.3%**

Note: These corridor statistics exclude all special trains, special buses, and connective bus service
Source: Brookings analysis of Amtrak data

More problematic are the far-traveling routes, such as the *Sunset Limited* and *Cardinal*, which generate low ridership levels, operate less than daily, and still require the capital and operational inputs necessary for long-distance train travel.[42] These routes also suffer from poor on-time performance—in 2012, Amtrak's long-distance routes averaged an on-time performance of only 70.7 percent, compared to 82.0 percent for short-distance routes and over 85 percent on the Northeast Corridor. Poor performance and delays further increase costs in terms of overtime payments to rail workers and increased fuel costs. On a more fundamental level, poor on-time performance discourages ridership due to the increased unreliability, which in turn leads to depressed revenues.

Appendix B includes ridership statistics for all 44 routes.

E. Combined, Amtrak's short-distance corridors generated a positive operating balance in 2011—while corridors over 400 miles returned a negative operating balance.

Amtrak's finances are a constant source of debate on Capitol Hill. However, catchall financial rhetoric ignores the considerable differences within the company's operating portfolio, especially when grouping corridors by travel distance. This Finding assesses Amtrak's financial performance by comparing corridor revenues and their operating costs, which exclude certain capital charges. These financial measures do not include non-passenger related revenues or other Amtrak costs, such as depreciation; they only reflect corridor-specific operations as far as Amtrak can appropriately assign them.[43]

Based on that metric, corridors of less than 400 miles delivered a positive operating balance to Amtrak in 2011, while all other corridors returned a negative operating balance (Table 6). Driving the financial disparity are the significantly higher ridership figures carried by the short-distance corridors and the sizable funding support many of those corridors receive from their state partners. In contrast, corridors over 400 miles carry less than 20 percent of system riders and none over 750 miles receive any state financial operating support.

Yet even with a positive operating balance, the sub-400 mile grouping includes two distinct types of corridor performances.

The first grouping includes the two most popular routes in the Northeast Corridor, the *Acela* and *Northeast Regional*. Combined, those two routes generated a net operating balance of $205.4 million in 2011, with $178.8 million derived from *Acela* operations alone. This is not a new phenomenon as over the five fiscal years ending in 2011, these two Northeast Corridor routes delivered an average positive balance of $135.9 million per year. They also generated this return via their own operations—the two routes received essentially no state funding support for operations during those five years.[44] However, since Amtrak owns most of the track in the Northeast Corridor and must maintain the tracks for its own services plus regional freight and commuter functions, it incurs higher long-term depreciation costs not included in these operating statistics.

State support was a major factor in the other grouping of sub-400 mile corridors. In 2011, these 24 corridors received a total of $185.1 million in direct funding, representing 31 percent of their routes' "revenue." By adding this support to their revenue-cost calculation, the 24 corridors improved their financial performance from a $351.2 million negative operating balance in 2011 to a $166.1 million

"Short corridors are responsible for over 80 percent of all Amtrak ridership."

Table 6. Financial Performance by Route Length, Fiscal Year 2011

	Financials ($ mil)			Number of Routes	
Corridor Length	**Revenue**	**Costs**	**Balance**	**Total**	**Share**
Under 400 Miles	$1,587.7	$1,541.1	$46.6	26	59.1%
400 - 750 Miles	$62.6	$78.9	($16.3)	3	6.8%
Over 750 Miles	$518.4	$1,116.0	($597.6)	15	34.1%
TOTAL	**$2,168.7**	**$2,736.0**	**($567.3)**	**44**	**100.0%**

Note: Does not include Special Trains and Thruway bus services

Source: Brookings analysis of Amtrak data

negative balance, more than cutting the annual loss in half. Critically, adding state financial support helped make sure these 24 corridors did not offset the positive balance from Northeast Corridor operations.

The story was considerably different for Amtrak's long-distance corridors. Every single one of the eighteen corridors traveling longer than 400 miles operated at a negative operating balance in 2011, whether traveling just over 400 miles on the *Pennsylvanian* or clear across the country on the *California Zephyr*. Moreover, the negative balances from these long-distance corridors were large enough to more than offset the short-distance corridors' positive balance. The long-distance corridors also did not benefit from outside help; only two of the routes between 400 and 750 miles long receive state funding support, a major difference from the sub-400 mile corridors.

The negative operating balances ranged from relatively minor to extremely large. The three corridors between 400 and 750 miles—the *Vermonter, Pennsylvanian,* and *Carolinian*—combined to lose only $10.4 million in 2011. These combined losses were less than half of the losses on some of the highest ridership corridors like the *Pacific Surfliner* and *Empire Service*. On the other end of the ledger, the two longest corridors in the Amtrak network—the *Southwest Chief* and *California Zephyr*—each lost over $60 million in 2011. Other corridors far exceeding 1,000 miles, like the *Empire Builder* and *Silver Star,* also lost at least $50 million in 2011.

As discussed below, the financial performance is only one aspect of how well a certain route performs. But it is an important consideration in the context of the upcoming reauthorization. In general, Amtrak corridors' financial performance suggests there could be a correlation between distance and Amtrak's definition of positive and negative operating balances.[45]

IV. Implications

Given the size of the country as well as the political, regulatory, and institutional circumstances to date, the story of America's passenger rail network is a complex one. This analysis is intentionally narrow in scope, focusing on critical trends intended to inform future debates around Amtrak and the emerging state and federal partnerships that will carry the railroad through difficult economic times.

Of course, scrutiny should be applied evenly to the entire American transportation network and not just to Amtrak alone. Much attention is given to the fact that other non-private passenger transportation modes are not "profitable," nor do they concern themselves with being so. Governments at all levels invest much more heavily in the key elements of the transportation network, whether through direct grants for highways, tax incentives for airlines, or appropriations for public transit and, overall, Amtrak covers a relatively large share of its costs.[46] As such, we agree that, like other transportation modes, "profitability" for Amtrak is not in and of itself the primary goal.[47]

Yet neither should Amtrak be exempt from scrutiny. There are several key implications that arise from this analysis that help us understand where it is efficient and effective, why it is successful or not, and what states and the federal government should consider.

A tale of two systems: operational efficiency versus geographic equity

Although a national system, America's passenger rail network is made up of two distinct types of routes: those less than 400 miles and those greater than 400 miles.[48]

The 26 routes traveling less than 400 miles make up the *operationally efficient* portion of the network. It includes the two most popular Northeast Corridor routes, the *Acela* and *Northeast Regional*, which operate between Boston and Washington D.C., including spurs into Virginia and western Massachusetts.[49] The positive operating balance from these two routes—which currently do not receive direct state operating subsidies—were enough to offset the net operating costs of the other 24 short-distance routes. Those other sub-400 mile routes typically enjoy direct state support (even before the federal PRIIA legislation) and always serve at least one large metropolitan area. In total, these 26 corridors carried 83 percent of all system riders in 2012.

The other 18 corridors traveling over 400 miles represent the *geographic equity* portion of the network. They include relatively short routes like the *Vermonter*, as well as the longest current service,

the *California Zephyr* between Chicago and San Francisco. They pass through nearly all 46 states that Amtrak serves, far more than their short-distance peers do. These routes also travel for vast stretches between major population centers and offer service to many smaller, relatively isolated communities with limited intermetropolitan alternatives. However, this regional coverage comes at the expense of low ridership figures: they carried only 17 percent of Amtrak's passengers in 2012 but, combined, constitute 43 percent of Amtrak's route-associated operating costs.

These are not arbitrary delineations. As previously discussed, research and international experience show that routes less than 400 miles are the most competitive, especially with air travel. In addition, current federal legislation makes a clear distinction between short- and long-distance routes by requiring states to financially support the former, but explicitly not the latter. However, many analyses, discussions, and testimony about Amtrak and its operations fail to recognize the sharp differences in the network.

Making metro connections: frequent service between large, regional metropolitan pairs

In addition to route length, having a direct connection between major metropolitan areas is another driver of higher Amtrak ridership. Across the past fifteen years, a consistent group of ten corridors, all less than 400 miles long, generate around 70 percent of total system ridership. Each of these routes involves many of the country's 100 largest metropolitan areas and benefit from the higher job and population densities present in those metropolitan cores.

The Northeast Corridor is particularly notable in this respect, connected by the metropolitan anchors of Boston, New York, Philadelphia, and Washington. These four metropolitan areas house over 35 million people, generate $2.3 trillion in annual output, and share historic and modern relationships. Similarly, all four metro areas suffer from high traffic volumes between them as well as the country's most congested airspace (New York-Philadelphia), making the rails an attractive alternative to some of the country's most delayed airports. Indeed, Amtrak boasts 75 percent of the share of the passenger rail/aviation market between New York and Washington.[50]

Beyond the Northeast Corridor, other well-traveled corridors also link large metropolitan partners. The *Pacific Surfliner* connects Los Angeles and San Diego, the *Capitol Corridor* joins San Francisco to Sacramento, and the *Hiawatha* connects Chicago and Milwaukee. These metropolitan areas are not only in close proximity to one another, but they are also economic engines of their respective regions, with at least one member of each pair experiencing above-average airport congestion and adding to intermetropolitan roadway traffic.

However, not every short-distance corridor benefits from such large metropolitan anchors. The *Hoosier State* runs between Chicago and Indianapolis, a similarly-sized anchor to Milwaukee on the *Hiawatha*. At double the distance and only one daily departure the *Hoosier State*'s 2012 ridership (37,249) was just four percent of the Hiawatha's (819,493). Partly as a result, the Hoosier State lost over $100 per rider in 2012. Similarly, the *Heartland Flyer* connects Oklahoma City and Fort Worth, TX over a 206-mile, limited-stop alignment. Despite its connection to metropolitan Dallas, the fourth-largest metro area by population, the route carried fewer than 90,000 riders in 2012, and lost over $43 per rider that year.[51]

Several long-distance corridors also benefit from shorter segments connecting major metropolitan centers. The *Empire Builder* runs from Chicago to Seattle, but passes through metropolitan Milwaukee, Madison, and Minneapolis along the way. Over 120,000 passengers per year only travel this short-distance segment between Chicago and Minneapolis, and do so without the multiple daily departures typical of most short-distance corridors.[52] Similarly, the *City of New Orleans* runs between New Orleans and Chicago, but recent years show over 75,000 passengers only travel along the roughly 400 miles between New Orleans and Memphis.[53]

Policy and partnerships: the state commitment to intermetropolitan rail

Overall, the ridership and financial success of Amtrak's corridors are critically dependent on the company's operational and investment decisions. We found that state support for Amtrak operations and the policy environment under which the routes function are also important.

Prior to the federal PRIIA legislation in 2008, 15 states already recognized the importance of intermetropolitan rail and voluntarily subsidized operations for augmented service on 21 routes. Other

states—primarily those along the Northeast Corridor—contributed capital investments in stations and other improvements. In many cases, these contributions allow for additional rail service over and above Amtrak's base route system and for more frequent and efficient trains, which make the service more attractive and drive up ridership and ticket revenue.

PRIIA expands this relationship with its new formula for state support of short-distance routes, requiring states to contribute enough annual formula funds that each route is operationally break-even. By providing broader financial support, states have more "skin in the game" and are inclined to ensure their contributions receive prudent investment. Washington state and Oregon's commitment to the *Cascades* route demonstrates how this new financial dynamic reorients and strengthens the partnership between those states, freight rail companies, and Amtrak.[54] Passenger rail, in turn, adds a new dimension to statewide transportation plans and programs, provides more opportunities for intermodal approaches, and allows for bottom-up economic development strategies. In the past, states established a dedicated entity with planning and oversight authority or, in the case of Maine, established a new entity to develop and manage the system and serve as a direct conduit between policymakers and the traveling public.

States are also cooperating and collaborating with each other on multi-state compacts, as mentioned earlier with regard to the federal High Speed Rail program.[55] Several of those that missed out on awards did not have their multistate houses in order. For example, the corridor connecting Southern California with metropolitan Las Vegas suffered from having no dedicated funding and two competing alternatives. A southeastern agreement for a plan to connect Georgia, Tennessee, South Carolina, and North Carolina was formed only weeks before the announcement.

Successful operations also require cooperation between states, Amtrak, freight railroads, and commuter rail agencies.[56] This is not easy to do given the sometimes competing—though equally important—motivations and considerations for each party.[57] However, it is essential to ensure rail projects and plans do not stall.

But successful passenger rail service is also the by-product of prior reforms. For example, the frequency of trains and passengers in the Northeast Corridor largely resulted from Amtrak's ownership of most of the line between Washington, New York and Boston. Amtrak is also able to experiment with new technologies and faster speeds on other routes where it owns the tracks, such as the 62-mile segment between New Haven, Connecticut and Springfield, Massachusetts, 104 miles of the line between Harrisburg and Philadelphia, and a 97-mile segment of line in Michigan.

V. Recommendations

The remarkable shift toward federal-state collaboration on Amtrak should not be underestimated. While still a national program, the reformed roles for Amtrak and states are not representative of transportation's late 20th century federalism model where the federal government provides resources that rain down unencumbered to the state and metropolitan level. Rather, PRIIA encapsulates a new 21st century model that challenges our state and metropolitan leaders to develop deep and innovative approaches to solve the most pressing transportation problems.

However, more needs to be done.

With the economy in the midst of a slow recovery and state budgets adjusting to tighter times, every public investment should come under careful analysis and inspection. Yet, an emphasis on fiscal responsibility should not automatically mean scaling back of intermetropolitan rail investments or operations. In fact, these investments are as important as ever. Rather, states and the federal government should consider a range of recommendations to enable them to marshal the resources they already have and ensure that state efforts are more coordinated and efficient in the future.

As with other areas of infrastructure, recommendations for passenger rail tend to devolve into calls for increased federal spending. Such a call is probably justified especially over the long term for myriad reasons, including Washington's historically outsized support of other transportation modes. However, the recommendations below focus on how Washington and the states can operate better during this remarkably challenging time of fiscal constraint and overall aversion to increased funding.

In this way, we focus on a series of discrete reforms intended to inform the reauthorization of PRIIA,

the federal-state partnership it established, and the newly strengthened state role in rail. These recommendations are intended to be considered holistically. For example, an increased state role must be coupled with greater flexibility from the federal government.

Continue the evolution of long-distance intermetropolitan rail service

Ensuring an efficient and effective intermetropolitan rail network in a constrained fiscal environment will require building upon the federal-state partnership initiated in PRIIA and applying it broadly across the network.

In the reauthorization of PRIIA, it should be a top priority to expand the requirement for state operating support to include the long-distance routes. It is rational and appropriate to expect states to partner with the federal government on the operation of routes within their borders, as the legislation stipulates for routes under 750 miles. What is less understandable and defensible is why routes longer than 750 are exempt from this requirement on the grounds that, as many maintain, the routes are all designed to work together as an integrated network.

State and federal stakeholders have undertaken a rigorous and complicated exercise to establish standard pricing policies and cost methodology for short-distance routes in accordance with the federal law.[58] It is reasonable to apply a similar approach to long-distance routes, as well, through careful and collaborative work with state leaders and freight rail companies. This should be informed by the evaluative criteria Amtrak is required to establish for the long-distance routes and should recognize the symbiotic relationship and traffic that the short- and long-distance routes add to each other. It should also recognize that long-distance routes do not provide the same service to all states along its route, nor do they serve the same function as short-distance routes. For example, the *Lake Shore Limited* between Boston and Chicago only travels through Ohio during low-ridership overnight hours, but it serves other states during typical travel hours. A refined approach must also recognize the unique national connectivity these routes provide, especially to certain isolated rural communities.

However, this is not just a matter of offloading responsibility from the federal government to states. As seen in the short-distance routes that already enjoy state support, such a partnership results in a better sharing of risks and rewards. When states contribute to Amtrak operations, they have a vested interest in service quality, as discussed earlier. These benefits are increasingly framed as direct state economic benefits as is the case with the Downeaster.[59] When done right, intermetropolitan service could have a positive return on investment for states when examined broadly. Officials in North Dakota are considering supporting additional service on the long-distance *Empire Builder* to accommodate increased demand due to the oil and shale gas boom there.[60] New York State recently assigned $44 million in its current budget to support its obligation for the *Empire Corridor*.[61] Virginia supports expanded service to unserved areas in the southwest and southeast portions of the state.

The goal of such a policy reform is not to eliminate routes but to strengthen the federal-state partnership and reaffirm the commitment of states to long-distance routes over time. If states cannot agree that certain routes are worth supporting, then they should be scaled back in much the same way as short-distance routes. Indeed, some states are already struggling to support existing services such as the *Pennsylvanian* in the western part of the state.[62] Similarly, PRIIA required the development of a plan for restoring service to the *Sunset Limited* east of New Orleans that was suspended after Hurricane Katrina. The 2009 plan lays out several options but fails to identify sources for the operating subsidies, estimated to be between $4.8 and $18.4 million annually, depending on the service.[63] To date, officials at the federal and state levels have not agreed to a new service arrangement.

Another option would be to replace long-distance continental routes from coast-to-coast with shorter corridor-type service emanating out of major metros.[64] Concentrating long-distance resources in the most-trafficked shorter segments, like Memphis-New Orleans, could drive even higher demand for these intermetropolitan connections. States could also pursue other options, such as substituting intermetropolitan busses in certain corridors.[65]

Provide greater flexibility from Washington and dedicated funding

In exchange for greater responsibility from Washington, states should have added flexibility in how they allocate existing funds. For example, current federal law allows states and metropolitan planning organizations (MPOs) to transfer funds between highway and transit programs.[66] Among other

"An increased state role in passenger rail must be coupled with greater flexibility from the federal government."

benefits, this freedom of financing greatly assists in bottom-up problem solving and gives additional consideration to alternative solutions that achieve a more balanced transportation network. States and MPOs should gain the same flexibility when they support operating or capital investments for intermetropolitan passenger rail.[67] Current federal law allows states to use Congestion Mitigation and Air Quality (CMAQ) program dollars for rail operations, but the U.S. Department of Transportation limits this use to only three years. That cap should be removed. Federal policy should also expand CMAQ's passenger rail flexibility to MPOs that receive suballocated funds from their states.

Ideally, Washington should consider the statutes governing highways, transit, and intermetro rail concurrently. In 2003, when the major authorizing legislations were up for debate, Congress missed a prime opportunity to consider the statutes governing these areas of transportation policy during the same session. Today, the United States is still one of the only industrialized countries in the world that has not pursued an integrated approach to transportation policy. Nevertheless, the federal highway, transit, and railroad administrations should explore areas of cooperation in advance of the reauthorization of the highway and transit law in 2014.[68] This should build on current provisions that allow for limited support for commuter rail operations and certain intermodal connections.

Ultimately, Washington should create a dedicated and sustainable source of funding for intermetropolitan passenger rail. A recent report from the Eno Center for Transportation found that although 85 percent of Amtrak's operating budget is derived from non-federal sources like ticket sales, the remaining contributions are annual, highly politicized battles.[69] A dedicated source of funding, such as a ticket tax, would provide at least a small share of the annual stability that Amtrak's supporters demand. For their part, states support passenger rail through a variety of sources, including annual appropriations. A better approach would be a dedicated state trust fund-style source fed by a direct source, such as a portion of vehicle sales tax, ticket tax, or car rental fees.

Finally, Washington should continue to press Amtrak on its route-assigned financial reporting. This research shows that ridership, revenue, and cost performance vary by route—making routes a sound indicator of what does and does not work under the company's portfolio. However, precise analysis of performance is an extraordinarily complex exercise due to Amtrak's highly idiosyncratic nature and vagaries about how to assign costs such as annual depreciated capital, sale-and-leaseback deals, and loans on major assets like Penn Station in New York.[70] Amtrak has done much to improve its financial reporting over the years, and continuing that process will help answer more route specific questions.

Empower state rail plans and private sector partnerships

One of PRIIA's most important elements requires states to develop passenger rail plans as a condition to receive funding for capital projects. For the most part, these plans are integral to the development of a multimodal passenger and freight rail network. The federal government recently released draft guidance and comments from stakeholders are currently under consideration.

Just as critical is the development of a national rail plan, as called for by PRIIA. In a series of reports, the U.S. Government Accountability Office consistently found that the country would find it difficult to reform its passenger rail network, primarily due to the lack of expected outcomes, ambiguous goals, and unclear stakeholder roles.[71] In comparison, peer nations like France, Japan, and Germany all have explicitly adopted national rail plans to prioritize investments, establish funding streams and financial responsibilities, and evaluate progress towards goals. Such a plan is not only important to develop objective methodologies that guide federal investments, but it also has important implications for individual states whose plans must be consistent with the national one.

While a draft national rail plan was released in October 2009, the lack of a finalized plan continues to present uncertainties to stakeholders. The federal government should accelerate the completion of this plan to inform and assist efforts already undertaken by states. It should also require clear national goals, unlike the ambiguous requirements under PRIIA's Section 307 or the single passenger goal in the current draft National Rail Plan.

Separately, or as part of the development of their rail plans, states should continue to pursue close coordination—formally or informally—with one another. More than just backroom deals, states can foster long-standing relationships that bear real fruit in the form of finalized plans, environmental reviews, and dedicated shared funding agreements. States that pursued these strategies, after all,

appeared to have a significant advantage in securing ARRA funding compared to those that did not; by design, several of the award-winning corridors involved multi-state compacts.

Working with federal officials, states should also collaborate on joint procurement for new railcars and other capital procurements to spur investment in American manufacturing. The Illinois and California transportation departments recently collaborated on the $352 million purchase of 130 railcars that will be built with American workers and materials.[72] The next federal law could also build on PRIIA's establishment of the Next Generation Corridor Equipment Pool Committee formed to develop technical standards for new passenger rail equipment used in state-supported services. The Committee consists of representatives from Amtrak, the FRA, freight rail firms, equipment manufacturers, and relevant states.[73] The Committee could also elevate its statutorily-defined function to encourage cooperative agreements and a streamlined procurement process.

A more challenging and politically charged element to the future of Amtrak is the specter of privatization.[74] Yet the heretofore-limited focus on selling off the Northeast Corridor misses a critical opportunity to engage in meaningful public-private partnerships that tap into interested private capital markets and private firms' management expertise. Indeed, the very operation of Amtrak on privately-owned freight rail tracks represents a clear model for such a partnership. The reauthorization should strengthen the provisions in PRIIA for states to consider a competitive bidding process for the operation of passenger rail service beyond Amtrak. For example, in 2012 Florida East Coast Industries proposed a new privately-financed route connecting Miami and Orlando via the company's coastal right-of-way and new tracks into Orlando. Authorizing legislation should make it easier to develop similar privately-led projects, such as facilitated public bid solicitations and easier access to public financing vehicles.

Policymakers should also take a page from the international transit playbook and determine methods to use land-value capture around station investments.[75] Land-value capture techniques ensure public entities receive a share of land value increases caused by their capital investments. High-speed rail stations are ripe for this kind of land value increase, and are a common occurrence in international projects.[76] Such partnerships should also be an option for states as they consider their own options for supporting certain corridors.

VI. Conclusion

Intermetropolitan passenger rail is a vital component of the country's national transportation network. Amtrak carried over 31.2 million passengers in 2012, making it the fastest-growing domestic transportation mode over the last fifteen years. It also outpaced the growth in population and economic output, further illustrating its role in the broader American economy.

But to continue rail's ridership gains into the future, will require more purposeful action. Amtrak relies on a complex web of formal relationships with its state partners and the freight rail firms that own most track mileage, each of which has somewhat different goals for the national rail system. At the same time, the financial challenges of maintaining a national network that spans the continent means Amtrak's supporters continuously negotiate with Capitol Hill legislators over annual funding infusions. Sustaining and building Amtrak will require a better understanding of how to satisfy each of these parties' interests alongside Amtrak's own, as well as the overall goals for an efficient, effective, integrated transportation network.

The upcoming reauthorization and finalization of a national rail plan on the federal level, coupled with increased attention on the role of passenger rail in states, make this the right time to focus on the future of Amtrak, despite the fiscally constrained times.

B

Appendix A. Amtrak Station and Ridership Statistics by Metropolitan Area

Metropolitan Area	Region	Active Stations	Ridership Totals*			2012 System Ridership Share
			1997	2012	Change	
Akron, OH	Midwest	0	---	---	---	---
Albany-Schenectady-Troy, NY	Northeast	3	620,353	862,737	39.1%	1.4%
Albuquerque, NM	West	1	47,906	78,324	63.5%	0.1%
Allentown-Bethlehem-Easton, PA-NJ	Northeast	0	---	---	---	---
Atlanta-Sandy Springs-Marietta, GA	South	1	81,259	104,854	29.0%	0.2%
Augusta-Richmond County, GA-SC	South	0	---	---	---	---
Austin-Round Rock, TX	South	3	11,161	53,911	383.0%	0.1%
Bakersfield, CA	West	2	319,283	528,175	65.4%	0.8%
Baltimore-Towson, MD	South	3	1,185,856	1,776,500	49.8%	2.8%
Baton Rouge, LA	South	0	---	---	---	---
Birmingham-Hoover, AL	South	1	28,955	48,734	68.3%	0.1%
Boise City-Nampa, ID	West	0	3,455	---	---	---
Boston-Cambridge-Quincy, MA-NH	Northeast	10	1,018,297	3,167,716	211.1%	5.1%
Bridgeport-Stamford-Norwalk, CT	Northeast	2	232,447	478,149	105.7%	0.8%
Buffalo-Niagara Falls, NY	Northeast	3	183,619	195,247	6.3%	0.3%
Cape Coral-Fort Myers, FL	South	0	---	---	---	---
Charleston-North Charleston-Summerville, SC	South	1	49,629	84,956	71.2%	0.1%
Charlotte-Gastonia-Concord, NC-SC	South	3	107,766	213,457	98.1%	0.3%
Chattanooga, TN-GA	South	0	---	---	---	---
Chicago-Naperville-Joliet, IL-IN-WI	Midwest	11	2,289,103	3,757,555	64.1%	6.0%
Cincinnati-Middletown, OH-KY-IN	Midwest	1	19,235	16,209	-15.7%	0.0%
Cleveland-Elyria-Mentor, OH	Midwest	2	49,269	57,233	16.2%	0.1%
Colorado Springs, CO	West	0	---	---	---	---
Columbia, SC	South	2	26,967	41,276	53.1%	0.1%
Columbus, OH	Midwest	0	---	---	---	---
Dallas-Fort Worth-Arlington, TX	South	3	34,651	201,996	482.9%	0.3%
Dayton, OH	Midwest	0	---	---	---	---
Denver-Aurora, CO	West	1	143,098	113,393	-20.8%	0.2%
Des Moines-West Des Moines, IA	Midwest	0	---	---	---	---
Detroit-Warren-Livonia, MI	Midwest	7	229,100	253,457	10.6%	0.4%
El Paso, TX	South	1	11,117	12,329	10.9%	0.0%
Fresno, CA	West	1	214,134	394,074	84.0%	0.6%
Grand Rapids-Wyoming, MI	Midwest	1	32,618	56,832	74.2%	0.1%
Greensboro-High Point, NC	South	2	68,557	173,246	152.7%	0.3%
Greenville-Mauldin-Easley, SC	South	2	21,184	18,372	-13.3%	0.0%
Harrisburg-Carlisle, PA	Northeast	2	186,938	644,755	244.9%	1.0%
Hartford-West Hartford-East Hartford, CT	Northeast	5	236,047	299,163	26.7%	0.5%
Honolulu, HI	West	0	---	---	---	---
Houston-Sugar Land-Baytown, TX	South	1	16,380	20,327	24.1%	0.0%
Indianapolis-Carmel, IN	Midwest	1	11,811	34,863	195.2%	0.1%
Jackson, MS	South	2	35,006	51,764	47.9%	0.1%
Jacksonville, FL	South	1	91,599	77,512	-15.4%	0.1%
Kansas City, MO-KS	Midwest	3	128,609	201,238	56.5%	0.3%
Knoxville, TN	South	0	---	---	---	---
Lakeland-Winter Haven, FL	South	2	28,541	50,195	75.9%	0.1%
Lancaster, PA	Northeast	3	207,073	740,587	257.6%	1.2%
Las Vegas-Paradise, NV	West	0	---	---	---	---

Appendix A. Amtrak Station and Ridership Statistics by Metropolitan Area (continued)

Metropolitan Area	Region	Active Stations	Ridership Totals*			2012 System Ridership Share
			1997	2012	Change	
Little Rock-North Little Rock-Conway, AR	South	1	8,328	24,036	188.6%	0.0%
Los Angeles-Long Beach-Santa Ana, CA	West	14	1,997,381	3,424,851	71.5%	5.5%
Louisville-Jefferson County, KY-IN	South	0	---	---	---	---
Madison, WI	Midwest	3	22,686	36,549	61.1%	0.1%
McAllen-Edinburg-Mission, TX	South	0	---	---	---	---
Memphis, TN-MS-AR	South	1	37,912	73,116	92.9%	0.1%
Miami-Fort Lauderdale-Pompano Beach, FL	South	6	215,192	300,357	39.6%	0.5%
Milwaukee-Waukesha-West Allis, WI	Midwest	2	357,687	795,850	122.5%	1.3%
Minneapolis-St. Paul-Bloomington, MN-WI	Midwest	1	101,168	120,515	19.1%	0.2%
Modesto, CA	West	2	82,163	143,534	74.7%	0.2%
Nashville-Davidson--Murfreesboro--Franklin, TN	South	0	---	---	---	---
New Haven-Milford, CT	Northeast	3	276,021	806,300	192.8%	1.3%
New Orleans-Metairie-Kenner, LA	South	2	190,842	229,929	20.5%	0.4%
New York-Northern N.J.-Long Island, NY-NJ-PA	Northeast	8	8,830,040	10,855,647	22.9%	17.4%
North Port-Bradenton-Sarasota, FL	South	0	---	---	---	---
Ogden-Clearfield, UT	West	0	5,445	---	---	---
Oklahoma City, OK **	South	3	0	76,556	237.5%	0.1%
Omaha-Council Bluffs, NE-IA	Midwest	1	19,682	22,794	15.8%	0.0%
Orlando-Kissimmee, FL	South	4	427,748	518,574	21.2%	0.8%
Oxnard-Thousand Oaks-Ventura, CA	West	5	145,562	221,234	52.0%	0.4%
Palm Bay-Melbourne-Titusville, FL	South	0	---	---	---	---
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	Northeast	11	4,203,480	5,295,206	26.0%	8.5%
Phoenix-Mesa-Scottsdale, AZ **	West	1	0	10,804	931.9%	0.0%
Pittsburgh, PA	Northeast	4	135,024	152,048	12.6%	0.2%
Portland-Vancouver-Beaverton, OR-WA	West	3	410,670	778,791	89.6%	1.2%
Poughkeepsie-Newburgh-Middletown, NY	Northeast	2	161,365	265,729	64.7%	0.4%
Providence-New Bedford-Fall River, RI-MA	Northeast	3	368,117	874,436	137.5%	1.4%
Provo-Orem, UT	West	1	2,242	5,675	153.1%	0.0%
Raleigh-Cary, NC	South	4	133,611	258,374	93.4%	0.4%
Richmond, VA	South	4	267,680	427,087	59.6%	0.7%
Riverside-San Bernardino-Ontario, CA	West	7	30,542	53,196	74.2%	0.1%
Rochester, NY	Northeast	1	114,710	144,703	26.1%	0.2%
Sacramento--Arden-Arcade--Roseville, CA	West	6	592,236	1,760,373	197.2%	2.8%
St. Louis, MO-IL	Midwest	5	236,109	499,346	111.5%	0.8%
Salt Lake City, UT	West	1	29,672	42,502	43.2%	0.1%
San Antonio, TX	South	1	43,861	70,161	60.0%	0.1%
San Diego-Carlsbad-San Marcos, CA	West	4	1,214,056	1,536,298	26.5%	2.5%
San Francisco-Oakland-Fremont, CA	West	9	964,369	2,058,032	113.4%	3.3%
San Jose-Sunnyvale-Santa Clara, CA	West	3	148,871	357,646	140.2%	0.6%
Scranton--Wilkes-Barre, PA	Northeast	0	---	---	---	---
Seattle-Tacoma-Bellevue, WA	West	6	567,380	903,882	59.3%	1.4%
Springfield, MA	Northeast	2	134,766	156,550	16.2%	0.3%
Stockton, CA	West	3	194,937	326,421	67.4%	0.5%
Syracuse, NY	Northeast	2	111,189	154,053	38.6%	0.2%
Tampa-St. Petersburg-Clearwater, FL	South	1	32,242	150,844	367.8%	0.2%
Toledo, OH	Midwest	1	70,374	69,275	-1.6%	0.1%
Tucson, AZ	West	1	23,524	23,896	1.6%	0.0%

Appendix A. Amtrak Station and Ridership Statistics by Metropolitan Area (continued)

Metropolitan Area	Region	Active Stations	Ridership Totals*			2012 System Ridership Share
			1997	2012	Change	
Tulsa, OK	South	0	---	---	---	---
Virginia Beach-Norfolk-Newport News, VA-NC	South	2	147,949	195,263	32.0%	0.3%
Washington-Arlington-Alexandria, DC-VA-MD-WV	South	11	3,626,022	5,797,689	59.9%	9.3%
Wichita, KS	Midwest	1	10,878	14,131	29.9%	0.0%
Worcester, MA	Northeast	1	15,667	8,900	-43.2%	0.0%
Youngstown-Warren-Boardman, OH-PA	Midwest	0	- 1,296	---	---	---

** Some discontinued metro areas do not include reported ridership from 1997*

*** These metros did not start service until after 1997, meaning change is based on their initial service years*

Source *Source: Brookings analysis of Amtrak and Census data*

B

Appendix B. Amtrak Route Performance

Route	Weighted Distance (miles)	Average Weekday Departures	Ridership			2011 Operating Finances ($million)			
			1997	2012	Change*	State Support	Other Revenue	Costs**	Balance**
New Haven-Springfield	62	5	0	384,834	---	N/A	$11.6	$24.4	($12.9)
Hiawatha	86	7	361,000	838,355	132.2%	$7.7	$16.0	$25.9	($2.2)
Downeaster	111	6	0	541,757	---	$5.3	$7.2	$13.5	($1.0)
Capitol Corridor	113	15	490,000	1,746,397	256.4%	$28.1	$27.4	$69.6	($14.1)
Empire (NYP-ALB)	141	9	1,057,000	1,062,715	0.5%	N/A	$40.9	$71.9	($31.0)
Washington-Lynchburg	173	1	0	184,907	---	N/A	$10.1	$6.9	$3.3
Piedmont	173	2	43,000	162,657	278.3%	$2.7	$2.5	$7.1	($1.9)
Pere Marquette	176	1	65,172	109,321	67.7%	$2.6	$3.4	$6.8	($0.8)
Pacific Surfliner	183	12	1,635,000	2,640,342	61.5%	$27.2	$56.1	$115.4	($30.1)
Washington-Newport News	187	2	0	623,864	---	-$0.1	$30.9	$31.3	($0.5)
Keystone	195	13	442,000	1,420,392	221.4%	$9.2	$29.7	$47.0	($8.2)
Hoosier State	196	1	0	36,669	---	N/A	$0.9	$4.9	($4.0)
Heartland Flyer	206	1	0	87,873	---	$3.8	$2.1	$8.7	($2.7)
Ethan Allen	241	1	29,000	54,376	87.5%	$1.5	$2.6	$6.6	($2.5)
Chicago-Quincy (IL Zephyr/Carl Sandburg)	258	2	82,000	232,592	183.6%	$8.5	$5.9	$16.8	($2.4)
Cascades	262	5	335,000	845,099	152.3%	$12.6	$37.8	$66.1	($15.6)
Kansas City-St. Louis (MO River Runner)	283	2	156,000	195,885	25.6%	$8.6	$5.3	$14.1	($0.3)
Chicago-St. Louis (Lincoln Service)	284	4	256,000	597,519	133.4%	$14.9	$13.4	$32.4	($4.1)
San Joaquin	303	6	688,000	1,144,616	66.4%	$32.8	$38.3	$77.9	($6.8)
Wolverine	304	3	418,491	484,138	15.7%	N/A	$20.2	$37.2	($17.0)
Acela	308	25	0	3,396,354	---	N/A	$510.3	$331.6	$178.8
Chicago-Carbondale (Illini/Saluki)	309	2	89,000	325,255	265.5%	$6.7	$9.4	$20.6	($4.4)
Blue Water	319	1	123,504	189,193	53.2%	$5.4	$6.3	$14.0	($2.3)
Northeast Regional	330	22	7,041,000	8,014,175	13.8%	$0.2	$505.1	$477.3	$28.0
Albany-Niagara Falls-Toronto	347	3	0	407,729	---	N/A	$25.0	$30.9	($5.9)
Adirondack	381	1	99,000	131,869	33.2%	$7.6	$7.0	$13.3	$1.3
Pennsylvanian	444	1	160,000	212,006	32.5%	N/A	$9.4	$16.8	($7.4)
Vermonter	611	1	85,000	82,086	-3.4%	$3.2	$4.2	$9.3	($1.9)
Carolinian	704	1	231,000	306,419	32.6%	$2.0	$18.8	$21.9	($1.1)
Capitol Ltd.	780	1	179,000	226,884	26.8%	N/A	$22.4	$47.0	($24.5)
Palmetto	829	1	188,000	198,260	5.5%	N/A	$17.4	$34.0	($16.5)
Auto Train	855	1	241,000	264,096	9.6%	N/A	$69.9	$101.5	($31.5)
City of New Orleans	934	1	174,000	253,170	45.5%	N/A	$18.8	$41.6	($22.8)
Lake Shore Ltd.	989	1	355,000	403,700	13.7%	N/A	$32.9	$70.4	($37.5)
Cardinal	1,147	1	80,000	116,373	45.5%	N/A	$7.8	$26.4	($18.6)
Texas Eagle	1,305	1	95,000	337,973	255.8%	N/A	$26.6	$56.7	($30.1)
Coast Starlight	1,377	1	497,000	454,443	-8.6%	N/A	$44.3	$98.1	($53.8)
Crescent	1,377	1	247,000	304,266	23.2%	N/A	$32.3	$77.1	($44.8)
Silver Meteor	1,389	1	255,000	375,164	47.1%	N/A	$41.6	$85.6	($44.0)
Silver Star	1,521	1	270,000	425,794	57.7%	N/A	$36.3	$86.9	($50.7)

B

Appendix B. Amtrak Route Performance (continued)

Route	Weighted Distance (miles)	Average Weekday Departures	Ridership			2011 Operating Finances ($million)			
			1997	2012	Change*	State Support	Other Revenue	Costs**	Balance**
Sunset Ltd.	1,995	1	124,000	101,217	-18.4%	N/A	$12.6	$51.7	($39.1)
Empire Builder	2,230	1	347,000	543,072	56.5%	N/A	$57.7	$112.3	($54.6)
Southwest Chief	2,265	1	257,000	355,316	38.3%	N/A	$48.0	$114.5	($66.5)
California Zephyr	2,438	1	292,000	376,459	28.9%	N/A	$49.8	$112.5	($62.6)

**Change unavailble for some routes due to missing or nonexistent FY 1997 data*

***Does not include capital charges (such as depreciation), interest, and other costs*

Source: Brookings analysis of Amtrak data

APPENDIX C

For this analysis, we examined only intermetropolitan passenger rail services in the United States, all of which are provided by Amtrak. We do not include purely tourist services, such as excursion or heritage railroads or scenic train rides. Nor do we include commuter rail services such as the Long Island Rail Road in New York, Metrolink in Southern California, or the Virginia Railway Express in Washington, DC, even though some of these services are often comingled with Amtrak and share rights-of-way, ticketing services, and stations. Other states contract directly with Amtrak to provide commuter services, such as Amtrak's agreement with Connecticut to run its Shore Line East operations.

Utilizing data provided by Amtrak and other federal government sources, we analyzed the ridership and finances of passenger rail across the United States and its metropolitan areas. The report uses data from 1997 through 2012, based on the Amtrak fiscal year calendar that runs from October through September. (Unless otherwise noted, the years in the paper refer to Amtrak's fiscal years.)

Databases

To create the metrics found in this report, we created a series of databases based on information supplied by Amtrak. In certain instances, we added other economic indicators via other public data sources.

A national statistical database relies on Amtrak's monthly and annual reports, plus station-specific statistics, via the Amtrak Public Affairs Office. The comparison to other passenger transportation modes, population levels, and economic output utilized public statistics provided by the Federal Highway Administration (for driving levels), the Federal Aviation Administration (for passenger aviation levels), the American Public Transportation Association (for transit trips), U.S. Census (for population), and the Bureau of Economic Analysis (for national output). All data sources were amended to match Amtrak's fiscal year calendar.

A corridor-specific database relies on the same monthly and annual reports to construct ridership statistics for Amtrak's routes. This report divides routes based on Amtrak's reporting within the September Route Performance Report. For example, while published schedules reference extensions into Virginia's Newport News and Lynchburg as part of the Northeast Regional, the ridership reports separate those two extensions from overall Northeast Regional statistics. All ridership data through Amtrak Fiscal Year 2012 relies on these published annual reports, which include route ridership data alongside other financial metrics.

This analysis subdivides routes via their distance. However, since routes' distances vary based on each departure's origin and destination stations, the database includes a weighted distance for each. We created this weighted distance by manually coding the typical number of weekday departures for each route, subdivided by the particular departure's distance. We then combined these departures by count and distance, using a basic weighting function. This schedule data relied entirely on Amtrak's published train schedules, all of which were current as of November 14, 2012. The report does not analyze each year's "special trains" or bus service ridership.

The final database uses station-specific ridership to construct metropolitan- and micropolitan-level ridership. Since individual stations include boardings and alightings, or riders who get off and on, this geographic analysis includes both under total area ridership. By counting both riders who get off and on in a particular place, the boardings and alightings statistics will appear inflated in comparison to published passenger ridership statistics, which tend to rely on passenger tickets. As such, this paper does not compare overall system or route-specific passenger counts to place-specific boarding and alighting counts.

Spatial Data and Geographic Scope

Generating metropolitan passenger levels required an aggregation of every Amtrak station's passenger levels up to its particular metropolitan or micropolitan location. The analysis does not exclude any stations, irrespective of service regularity or annual passenger loads.

Creating those aggregations required use of core based statistical area (CBSA) geography and geographic analytical software. The U.S. Office of Management and Budget creates CBSA definitions.

A micropolitan area requires an urban cluster of at least 10,000 people, and then includes any adjacent counties that are tied to the urban center via commuting levels. A metropolitan area requires an urbanized area of at least 50,000 people and also includes surrounding counties connected via commuting. This report also subdivides metropolitan areas based on population rankings according to the 2010 decennial U.S. Census.

Passengers from stations not located in any CBSA locations are counted as non-CBSA travelers. In particular, this includes Amtrak passengers using the major stations in Canada.

Financial Analysis

Portions of this report analyze Amtrak's route-specific financial performance. The report does not, at any point, assess the overall financial performance or health of the entire company.

The majority of this financial information comes from final audited data within the company's Route Performance Report, which is included in every September Monthly Performance Report. The Route Performance Report provides revenue and certain costs for each route in the Amtrak system, thereby publishing a fully allocated contribution or loss (henceforth referenced as a balance) for each route.

However, the Route Performance Report does not assign certain Amtrak revenues and costs to specific routes. The major excluded item is depreciation, which in FY 2012 contributed over $663 million to Amtrak's annual operating costs. Since Amtrak is in the process of determining a "Capital Charge" assignment process for each route, depreciation is currently a separate, company-wide cost. This precludes us from applying such a significant charge to particular routes, and is a significant need for route-specific analysis in the future. In addition to depreciation, the Route Performance Report also does not assign interest, freight-related activities, or state capital payments to specific routes.

This report also assesses internal Amtrak data on state-operating support by route. While the Route Performance Report data already includes this state support under the revenue column, it does not differentiate these state sources from other revenue flows. As such, acquiring internal Amtrak data enables our analysis to show the share of route revenue contributed by the states.

Endnotes

1. For a thorough history of the American railroad industry, see: John F. Stover, American Railroads, Chicago: The University of Chicago Press, 1997. On passenger rail, see Donald M. Itzkoff, Off the Track, *The Decline of the Intercity Passenger Train in the United States*, Westport, CT: Greenwood Press, 1985.

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3. Anthony Perl, *New Departures: Rethinking Rail Passenger Policy in the Twenty-First Century*, Lexington: University Press of Kentucky, 2002.

4. Lyndon B. Johnson, "Remarks at the Signing of the High-Speed Ground Transportation Act," September 30, 1965, online by Gerhard Peters and John T. Woolley, *The American Presidency Project*, http://www.presidency.ucsb.edu/ws/?pid=27281.

5. Allison L. C. de Cerreño, "High-Speed Rail Projects in the U.S.: Identifying the Elements for Success," New York University, Rudin Center for Transportation Policy and Management, 2004.

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7. George Hilton, *Amtrak: The National Railroad Passenger Corporation*, Washington: American Enterprise Institute, 1980.

8. Hilton, p. 15.

9. Hilton, p. 19.

10. The Staggers Rail Act of 1980 dramatically deregulated the freight rail industry and is attributed to dramtic improvements throughout the industry. See: Clifford Winston, "The Success of the Staggers Rail Act if 1980," AEI-Brookings Joint Center for Regulatory Studies, 2005.

11. Congressional Budget Office, "The Past and Future of U.S. Passenger Rail Service," 2003.

12. Amtrak Reform Council, "An Action Plan for the Restructuring and Rationalization of the National Intercity Rail Passenger System: A Report to the Congress," 2002.

13. Matthew Wald, "Amtrak Fires Its President in Dispute Over Future," *New York Times*, November 10, 2005.

14. Office of the Inspector General, "Amtrak Made Significant Improvements in its Long-Term Planning Process," Federal Railroad Administration Report Number: CR-2011-036, 2011.

15. For more information, see: Federal Railroad Administration, "State Rail Plan Guidance." Available: http://www.fra.dot.gov/Page/P0511.

16. Amtrak, "State-Supported Corridor Trains: FY 2011-12," 2012. http://www.amtrak.com/ccurl/298/423/Corridor-Trains-2011-Final.pdf.

17. Virginia Department of Rail and Public Transportation, "Funding Strategies for State Sponsored Intercity and High Speed Passenger Rail," 2010.

18. This is especially true in the Northeast Corridor where Amtrak is the primary owner of most of the route and maintains a very intricate relationship with commuter agencies, freight railroads, and states. See: NEC Master Plan Working Group, "The Northeast Corridor Infrastructure Master Plan," 2010.

19. The Alaska Railroad is another state-supported rail service but is unique in many ways and not included as part of this analysis. For a comprehensive assessment of state programs see: Curtis A. Morgan and others, "Funding Strategies and Project Costs for State-Supported Intercity Passenger Rail: Selected Case Studies and Cost Data," College Station, Texas, Texas Transportation Institute Report 0-4723-1, 2004.

20. Surface Transportation Board, Record of Decision, "Amtrak's Petition for Determination of PRIIA Section 209 Cost Methodology," March 13, 2012.

21. See: National Public Radio, "Interactive Map: U.S. High-Speed-Rail Proposals," Updated January 28, 2010. http://www.npr.org/series/112034391/on-the-fast-track

22. North Carolina Department of Transportation, "2009 Rail Plan." http://www.bytrain.org/quicklinks/reports/2009_railplanexecsum.pdf

23. In 2009, for instance, a new station was completed in Durham that conveniently neighbors the city's bus station and several area businesses. Future projects include the proposed creation of an urban transportation center in Charlotte and a similar facility in Raleigh that will allow for additional transit connections in the Research Triangle.

24. Morgan and others, 2004. California also owns a lot of its rolling stock.

25. North Carolina Railroad Company, "2011 Annual Report: Building a Better Railroad." http://www.ncrr.com/wp/wp-content/uploads/2011/10/Download-a-PDF-of-the-North-Carolina-Railroad-Companys-2011-Annual-Report.pdf

26. Northern New England Passenger Rail Authority, "Amtrak Downeaster FY2012 Year End Report." http://www.amtrak-downeaster.com/sites/default/files/Performance-Report-Q4-End-of-Year-Report.pdf

27. A special provision in the recent surface transportation law allowed Maine to use federal Congestion Mitigation and Air Quality funds for the operation of the *Downeaster* for a limited time. It also allowed Oregon to use the same funds to support the Cascades route.

28. Northern New England Passenger Rail Authority, "More Than Just A Ride." http://www.nnepra.com/sites/default/files/More%20Than%20a%20Train%20Ride.pdf

29. California represents a major exception as its ambitious high-speed rail plan will include brand new alignments and may not partner with Amtrak to operate the service.

30. Calculation based on Amtrak's internal station ridership data, not corridor passenger levels.

31. To match data with Amtrak's fiscal year, the GDP statistics use quarterly data and the population statistics use monthly data.

32. Due to the lack of official public statistics, this research does not include intercity buses. However, recent research suggests this mode is expanding rapidly following its record low ridership in the 1990s.

33. Since 1997, Amtrak's overall passenger levels move in lock-stop with passenger changes in the 100 largest metro areas. Statistics verify this inextricable relationship: their change in passengers levels over the sixteen-year period share a 0.99 correlation coefficient. In comparison, the remaining 266 metro areas and the country's micropolitan areas move in opposite directions from one another, and both are not nearly as correlated with national performance. The result is a national rail system that is essentially a proxy for large metropolitan usage.

34. For most major metros without rail service, Amtrak provides intercity buses.

B

35. Denver's drop can be partially attributed to discontinuing the *Pioneer*, a route between Seattle and Chicago through the Intermountain West. Similarly, Worcester also lost direct access to the Northeast Regional during this period.

36. Of course, many of the passengers on long-distance corridors actually travel around 400 miles or less, like *Cardinal* service between Chicago and Cincinnati and the *City of New Orleans* service between Memphis and New Orleans. Amtrak provided internal data that subdivided long distance corridors' ridership based on shorter segments, of which certain ones were 400 miles or less.

37. Note that Amtrak and the federal government tend to include all routes of less than 750 miles as "short distance" corridors. In addition, PRIIA identifies routes under 750 miles as those requiring state support. However, academic literature shows that the proper threshold should be no more than 400 miles because, under optimal conditions, this is the maximum distance for rail to assume a significant portion of air travel's market share. See, e.g.,: Mar González-Savignat, "Competition in Air Transport: The Case of the High Speed Train," *Journal of Transport Economics and Policy*, Vol. 38(1): 2004, pp. 77-108; Nicole Adler, Chris Nash, and Eric Pels, "High Speed Rail and Air Transport Competition," Tinbergen Institute Discussion Paper, TI 2008-103/3.

38. There are three routes that Amtrak identifies as "short distance" that are between 400 and 750 miles: the *Carolinian*, *Pennsylvanian*, and *Vermonter*. Amtrak, "PRIIA Section 210 Performance Improvement Plan: Auto Train - City of New Orleans - Coast Starlight - Empire Builder - Southwest Chief," 2012.

39. This does not include separately measured spurs into two top-100 metro areas: Springfield, MA and Virginia Beach-Norfolk-Newport News, VA, and a spur into a smaller metro in Virginia: Lynchburg. These additional 'spurs' are coded separately for ridership and thus removed in this particular corridor discussion.

40. According to the most recent Amtrak schedules (as of November 2012), the Service-Origin-Destination weekday departure breakdowns are as such: *Acela*-Boston-Washington: 9; *Acela*-New York-Washington: 15; *Acela*-Boston-New York: 1; *Northeast Regional*-New York-Washington: 10; *Northeast Regional*-Boston-Washington: 7; *Northeast Regional*-New York-Richmond: 2; *Northeast Regional*-Boston-New York: 1; *Northeast Regional*-Boston-Richmond: 1; *Northeast Regional*-New Haven-Washington: 1.

41. Interestingly, the sixth-most ridden route is the *San Joaquin*, Amtrak's service between California's Central Valley and Oakland / Sacramento. This route covers the same ground as the first segment of the future California High Speed Rail corridor, and proves there is growing demand for passenger rail service in this area; ridership is up 66.4 percent between 1997 and 2012.

42. Since August 2005 the *Sunset Limited* suspended service between New Orleans and Jacksonville due to damage from Hurricane Katrina. The route now only connects New Orleans and Los Angeles.

43. Brookings analysis of corridor financial performance includes numbers for the national train system, but these do not reconcile with Amtrak's annual Consolidated Statement of Operations. The specific missing elements are the revenues and expenses captured under Ancillary Customers, Freight and Other Customers, Net Depreciation, Net Interest Expenses, and State Capital Payments. For more information, see "Financial Performance of Routes" within Amtrak's September Monthly Performance reports.

44. The exception was $226,000 in support for *Regional* trains in 2011. This represented 0.04 percent of *Regional* revenue that year.

45. When correlating each corridor's weighted distance against its profit/loss in 2011, excluding the *Acela* and *Northeast Regional* routes, the correlation coefficient is 0.52. This suggests some relationship between the two statistics, although more rigorous analysis is necessary to uncover the detailed relationship between distance and financial performance.

46. See e.g.,: Angie Schmitt, "Drivers Cover Just 51 Percent of U.S. Road Spending," *DC.Streetsblog.org*, January 23, 2013.

47. New and emerging research calls into question narrow attention to transportation benefits such as travel time savings, operator costs, and direct externalities to the omission of benefits such as agglomeration and connectivity. See Andrew Salzberg and others, "High Speed Rail, Regional Economics, and Urban Development in China," *China Transport Topics*, No. 08, 2013.

48. Some would argue that the *Acela* and *Northeast Regional* routes constitute a different rail system given its unique characteristics and the fact that Amtrak owns most of the tracks and, as a result, interference with freight rail is minimal compared to the rest of the network.

49. The two Northeast Corridor routes cover a longer distance than 400 miles, but most of their departures tend to cover shorter distances like Boston-New York or New York-Washington.

50. Joan McDonald, "Northeast Corridor Future: Options for High-Speed Rail Development and Opportunities for Private Sector Participation." Hearing before the House Committee on Transportation and Infrastructure, 112th Cong. (2012.)

51. Brookings analysis of Amtrak and Census data.

52. Brookings analysis of internal Amtrak data.

53. Ibid.

54. Ron Zeitz, "Excess Success in the Northwest," *Rail*, No. 2, 2001.

55. Petra Todorovich, Daniel Schned, and Robert Lane, "High Speed Rail: International Lessons for Policy Makers," Cambridge: Lincoln Institute of Land Policy, 2011.

56. Amtrak currently has formal partnerships with 13 commuter agencies across the country.

57. Peter Kochansky, "Negotiating Passenger Rail Rights: Lessons Learned in Massachusetts," Prepared for American Public Transportation Association Rail Conference, 2011.

58. Surface Transportation Board, 2012.

59. See, for example, Center for Neighborhood Technology, "Amtrak *Downeaster*: Overview of Projected Economic Impacts," A Report to Northern New England Passenger Rail Authority, 2008.

60. Indeed, the need for state support is already becoming apparent on some long-distance routes. For example, communities along the long-distance *Southwest Chief* are in danger of losing service as the freight rail line on which it runs is relocated. Officials in New Mexico, Kansas, and Colorado are trying to come up with funds to repair the existing route. See: Shajia Ahmad, "No State Help Expected for Amtrak," *Garden City Telegram*, September 1, 2012.

61. Eric Anderson, "State to Keep up Amtrak Service," *Times Union*, January 25, 2013.

62. Mark Peters, "States Weigh Picking Up Train Tab," *Wall Street Journal*, January 22, 2013.

63. Amtrak, "PRIIA Section 226: Gulf Coast Service Plan Report," 2009.

64. As part of a national system Amtrak clearly benefits from being able to move equipment around its network such as the major train repair facility in Indianapolis. However, it could also conceivably lease space on private freight lines to move equipment.

65. A recent study identified intercity bus as the fastest growing form of intercity travel in the United States See: Joseph P. Schwieterman and others, "The Motor Coach Metamorphosis: 2012 Year-in-Review of Intercity Bus Service in the United States," DePaul University, Chaddick Institute for Metropolitan Development, 2013

66. While most federal funding ties to a specific transportation mode, federal law allows states and MPOs to use certain funds for a wide variety of projects, including transfers from highway accounts towards transit projects. The Congestion Mitigation and Air Quality Improvement Program (CMAQ) and Surface Transportation Program (STP) are especially important to consider in this respect. The U.S. Government Accountability Office recently found that states transferred about 10 percent of available funds for transit projects with California, New Jersey, New York, and Virginia leading the way. U.S. GAO, "Flexible Funding Continues to Play a Role in Supporting State and Local Transportation Priorities," Report GAO-13-19R, 2012.

67. States would undoubtedly make better partners by removing the roads-only exclusion for their gasoline tax revenues. By committing a portion of revenues to other modes beyond highways, states would increase their ability to consider the entire transportation system, rather than isolated parts.

68. *Moving Ahead for Progress in the 21st Century* (MAP-21) expires in September 2014.

69. Eno Center for Transportation, "Transportation as Part of a Deficit-Reduction Package," Washington, 2012. Amtrak is not a federal agency but its Board of Directors are appointed by the President of the United States and must be confirmed by the U.S. Senate.

70. In fiscal year 2012 alone, depreciation was $664 million, which is more than the loss from all long-distance route operations. It is also constitutes over half of all Amtrak's reported losses for the year.

71. See e.g.,: U.S. Government Accountability Office, "Intercity Passenger and Freight Rail: Better Data and Communication of Uncertainties Can Help Decision Makers Understand Benefits and Trade-offs of Programs and Policies," Report GAO-11-290, 2011.

72. John Pletz, "Nippon Sharyo to Build High-Speed Rail Cars at Rochelle Factory," *Crain's Chicago Business*, September 27, 2012.

73. PRIIA, P.L. 110-432; Title 3, Sec. 305. (2008.)

74. An analysis prepared by Amtrak shows a mixed record of success in privatization experiences worldwide. "Privatization of Intercity Passenger Rail: International Experience," September 2012.

75. Emilia Istrate and David Levinson, "Access for Value: Financing Transportation through Land Value Capture," Brookings, 2012.

76. Alissa Ponchione, "Hotel Developers Eye High-Speed Rail Hubs." *Hotel News Now.com*, December 19, 2012.

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