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THE IMPORTANCE OF THE NORTHEAST CORRIDOR

(113–23)

FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON
RAILROADS, PIPELINES, AND
HAZARDOUS MATERIALS

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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Washington, DC 20515

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May 31, 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 "New York City Field Hearing: The Importance of the Northeast Corridor"

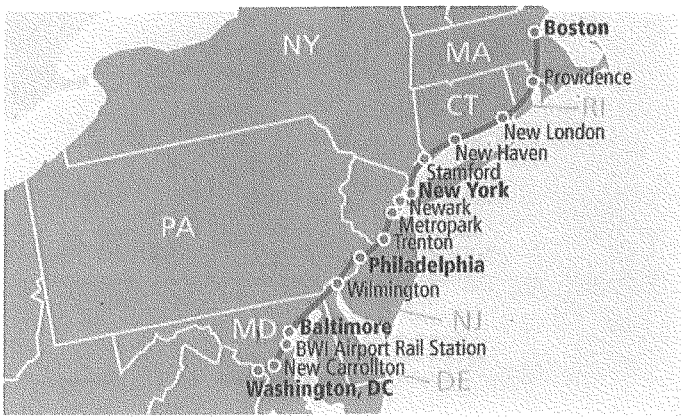
PURPOSE

On Friday, June 7, 2013, in New York, New York, the Subcommittee on Railroads, Pipelines, and Hazardous Materials will receive testimony regarding the importance of the Northeast Corridor (NEC). As Amtrak's most profitable route, the NEC and its ridership provide an economically viable opportunity for future infrastructure investment and improvement. The Subcommittee will hear testimony from Amtrak, New York State, a regional planning association, and an academic on the importance of the NEC and potential investment opportunities.

BACKGROUND

As a host to commuter, passenger, and freight rail, the NEC is the most valuable piece of Amtrak's network, generating the most profit and the most traffic. 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. With trains running between Washington, D.C. and Boston, Massachusetts, the NEC is the backbone of the Nation's intercity passenger rail system, carrying more passengers than any other Amtrak line. In 2012, a record 11.4 million passengers rode Amtrak trains on the NEC. Amtrak operates 153 daily trains on the corridor, including the Northeast Regional and Acela services, alongside more than 2,000 daily commuter trains and roughly 70 daily freight trains.

In 2001, Amtrak introduced its Acela Express service, and since then Amtrak has seen its Washington-to-New York air-rail market share soar from 45 percent in 2001 to 76 percent in 2012. Consistent with the ridership trends, Amtrak has seen NEC revenue rise rapidly: from $580 million in 2003 to $1.05 billion in 2012. This is the only portion of the Amtrak system that earns an "above the rails" operating surplus.



The NEC region is home to four of the ten most populous metropolitan regions in the Nation – New York, Philadelphia, Washington, D.C., and Boston – with 18 percent of the Nation's population living in just two percent of its land area. Taken as a whole, the NEC region would be the sixth largest economy in the world with a GDP of $2.59 trillion, and a population equal to the United Kingdom. Furthermore, congestion at airports and on highways is becoming a severe problem in the region. The I-95 Corridor Coalition estimates that over 60 percent of the urban road miles of Interstate 95 are heavily congested. Additionally, the airspace above New York is the most complex and congested in the Nation with approximately 75 percent of the Nation's chronically delayed flights flying through the New York airspace bottleneck.

NEC Infrastructure and Operations Advisory Commission

Recognizing the value of the NEC, section 212 of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) (P.L. 110-432) created the NEC Infrastructure and Operations Advisory Commission (Advisory Commission) to create and implement a long-term, regional investment strategy for the NEC; advance near-term improvement projects; coordinate regional planning and communication; and educate stakeholders and the public about the NEC's investment needs and role in economic growth and development. The Advisory Commission is made up of members from each of the NEC states (including the District of Columbia), Amtrak, and the U.S. Department of Transportation (DOT), along with non-voting members from the freight railroads that use the NEC.

RECENT DEVELOPMENTS

Advisory Commission Actions

In 2010, the NEC Infrastructure Master Plan estimated that the NEC required $52 billion over the next 20 years in order to reach a state-of-good-repair ($11.7 billion) and to accommodate future growth on the Corridor ($40 billion). Since release of the report, Amtrak

added a comprehensive set of improvements from Newark, New Jersey to Manhattan, New York, including new tunnels under the Hudson River and station improvements in New York, collectively called the Gateway Program. The initial estimated cost for the Gateway Program is approximately $14.7 billion.

In January 2013, the NEC Commission released its report, *Critical Infrastructure Needs on the Northeast Corridor*, which describes the improvements needed to reduce delays, achieve an overall state-of-good-repair, and build capacity for growth on the Corridor. Some of the critical needs they assess are upgrades and repairs to stations, bridges, storage facilities, signals, and electrical equipment, among others. Although this new report analyzes what is needed for the future growth and maintenance of the NEC, it is not a formal plan and the Commission is working closely with Amtrak, the Northeast states, and other railroads to update findings.

For example, Baltimore's B&P tunnels are some of the oldest (constructed in 1873) and in most need of repair structures on the NEC. The tunnels were built at a time when trains could not attain high speeds and are ill-equipped for modern traffic, bottlenecking NEC traffic and severely increasing trip times. The project requires $1.5 billion, which would replace these tunnels with new higher speed, curve-moderated alignment. As another example, the New York Penn Station Capacity Expansion and the Moynihan Station Phase Two Projects will still need at least $1 billion to see completion and alleviate congestion.

Besides addressing specific projects along the Corridor, the Commission's report also expanded on general NEC-wide infrastructure needs. The report identifies rehabilitation of the NEC's electrical and signaling systems as one of the most pressing needs. In many areas along the Corridor, these systems deteriorated and caused significant delays. Some parts of overhead catenary wires date back to the 1930s and are unreliable and unable to adapt to modern passenger demands. Funding for most of these repairs has not been secured and will require future investment in order to handle future ridership growth. The report also addresses the need for investment in larger structures such as bridges and stations to ensure long-term reliability and growth of rail service. Dozens of small bridges over 100 years old line the Corridor and are in need of quick replacement. While most of the larger stations are undergoing expansions, most of the smaller ones have critical needs to ensure safety and comfort for their riders.

Amtrak's Vision for the NEC

In February 2012, the Federal Railroad Administration (FRA) began the comprehensive planning effort to define, evaluate, and prioritize future investments for the NEC through 2040 that is dubbed the NEC FUTURE. The NEC FUTURE project includes two parts: (1) a Tier I environmental impact statement (EIS), which is a corridor-wide environmental analysis necessary for most future federal investment; and (2) a service development plan, which is a detailed plan for rail service of all types on the corridor. The NEC FUTURE process is expected to take a total of three years, assuming continued appropriations, and is divided into three phases. While the NEC FUTURE is ongoing, there are other NEC-related projects that are being undertaken. The projects total over $1.8 billion in various federal funds, and over $2 billion in total funding. These projects are intended to, among other things, bring the NEC into a state-of-good-repair, upgrade track and structures, and allow for capacity improvements.

Phase	Timeframe	Goal
Phase I	1 year: Feb. 2012 – Feb. 2013	Develop Purpose & Need; Scoping Process; Begin Alternatives Development
Phase II	18 mos.: Feb. 2013 – Aug. 2014	Complete Alternatives Development; Complete Draft EIS; Complete Draft Service Development Plan
Phase III	8 mos.: Aug. 2014 – May 2015	Final EIS; Final Service Development Plan
Complete	Before end of 2015	Record of Decision

Private Sector Involvement

Private sector involvement in the NEC is certainly an option, especially with respect to infrastructure through station development or public-private partnerships. PRIIA required the Advisory Commission to develop a report that identifies prospects for further enhancement of economic development along the NEC.

Separately, while the scoping of the NEC FUTURE project is not yet completed, the FRA has issued station planning guidance that specifically notes planners should "[c]onsider value capture opportunities such as business improvement districts that could provide revenue to the rail agency."[1] In addition, Amtrak works with the private sector to implement its major infrastructure projects, including recent projects, such as the replacement of the Niantic Bridge, a century-old bridge that serves as a key link for passenger and freight rail traffic between New York and Boston.

Some witnesses before the Subcommittee in the past have stated that private investment in station development, concessions, rights-of-way, and commercial opportunities could increase infrastructure investment on the NEC where it makes sense and save Amtrak millions of dollars. In today's fiscal climate, it is becoming increasingly difficult for the federal government to continue to support the full financial burden of major infrastructure projects and must instead look to other sources. In general, successful public-private partnerships share financing between the public and private partners. The private sector is incentivized to participate in financing a project when there is a return on the investment, risk is minimized, and there is a consistent federal or state partner. In these arrangements, the public partner historically retains some control and management of the overall rail program to ensure that public requirements and governments standards are met.

[1] FRA, *Station Area Planning for High-Speed and Intercity Passenger Rail*, p. 12.

INVITED WITNESSES

Hon. Joseph Boardman
President and CEO
Amtrak

Mr. Bob Yaro
Executive Director
Regional Plan Association

Hon. Joan McDonald
Commissioner
New York Department of Transportation

Ms. Marilyn Taylor
Dean, School of Architecture
University of Pennsylvania School of Design

THE IMPORTANCE OF THE NORTHEAST CORRIDOR

FRIDAY, JUNE 7, 2013

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

The subcommittee met, pursuant to call, at 9:43 a.m., in Room 4500, Moynihan Station, New York, New York, Hon. Jeff Denham (Chairman of the subcommittee) presiding.

Mr. DENHAM. The subcommittee will come to order.

Let me also thank Congressman Nadler for welcoming us to his district. Thank you.

This hearing continues our informal roundtable discussion yesterday on Amtrak and will hopefully reinforce the idea that investment in the Northeast Corridor is a priority.

Last week in California, we learned a lot about the California high-speed rail program. We also learned how the first $6 billion in State and Federal funding the project received will go to upgrade current Amtrak service in the valley.

The Northeast Corridor is the most highly trafficked rail corridor in the country and Amtrak's sole money-making enterprise. Infrastructure upgrades in this corridor are essential to serve a proven and dedicated ridership that continues to expand.

I believe the $6 billion that was given to California high-speed rail could be better spent on such upgrades as these projects where they are both clearly identified and necessary beyond dispute.

To place $6 billion in perspective, this amount of money is enough to replace the Baltimore and Potomac Tunnels, which costs $1.5 billion; build a new Portal South Bridge with a four-track alignment into New York costing $1 billion with 150,000 daily riders. We could replace the century-old Susquehanna River Bridge, $800 million, and replace the Gunpowder River Bridge, $600 million, with $2 billion left over. We saw all these projects yesterday, and obviously they are a challenge to deal with and they certainly slow down the commute time.

These are just a few examples on a list of over $30 billion in identified projects. Each would substantially decrease trip times along the corridor by eliminating significant bottlenecks.

Given that there are over 11.4 million Amtrak riders and over 200 million commuters that use the Northeast Corridor every year, it would be an investment in an area where we have proven ridership.

Furthermore, there are still questions in California as to whether the improvements made by the Authority will even be used by Amtrak or even improve ridership as stations move from city centers to the outskirts. Simply put, this money would have been better spent here on the Northeast Corridor which continues to surpass ridership and revenue records for Amtrak. Also, unlike most other Amtrak services, the Northeast Corridor consistently turns an operating profit.

I believe more investment must be made in the Northeast Corridor for continued success in the future, but when there was funding available, it was spent elsewhere. Indeed, the Northeast Corridor did not receive any of the President's high-speed rail money until after the States returned theirs. Clearly this was not a priority.

We have got to prioritize, fix it first, and address known problems, and our current policy structure does not encourage this.

Finally, with years of trillion-dollar deficits, Federal resources are scarce and we have got to continue to work within existing funding levels. We have got to find ways to work with the private sector as well.

Let me again thank our witnesses for being here today. We are open to all discussions, all suggestions, and I look forward to hearing from our witnesses.

I would now like to recognize Ranking Member Corrine Brown from Florida for 5 minutes to make any opening statements she may have.

Ms. BROWN. Thank you, Mr. Chairman, and thank you for having this hearing here at the Northeast Corridor, the backbone of our Nation's passenger rail system.

I want to thank Mr. Nadler for welcoming us to his district. We are physically in his district.

And I want people to know who I am. I am Congresswoman Corrine Brown from Florida. I have already donated $500 million when my Governor sent $3 billion back, and I understand that you all have $500 million. So I am a contributor to the Northeast Corridor already.

[Laughter.]

Ms. BROWN. More than 2,200 trains travel the corridor daily, only 157 of which are Amtrak trains that transport about 16 million annual passengers. The commuters and freight railroads make up the rest of the trains on the corridor. I do not know if we have ever driven up I–95 to New York, but it is much better to do it by train.

I am sure that many of you remember the Northeast Corridor improvement project in the early 1980s which modernized a number of facilities on the corridor. From 1990 to 2002, however, very little investment was made in the corridor.

In 2003, things began to change with a new emphasis placed on bringing Amtrak equipment and infrastructure closer to a state of good repair. Amtrak began a process of ramping up a significant capital program and has since made substantial progress in addressing the backlog of capital needs throughout its system.

In 2008, Congress charted a new course for passenger rail in the United States with the enactment of the bipartisan legislation, The

Passenger Rail Investment and Improvement Act. That law created a new national program for the development of high-speed rail and intercity passenger rail in the United States, which later led to a significant Federal investment in the corridor throughout the American Recovery and Reinvestment Act of 2009. Some of those funds enabled Amtrak to replace a 100-year-old bridge in Connecticut. The law also established the Northeast Corridor Infrastructure and Operational Advisory Commission to help develop a long-term vision and investment strategy for the corridor. The law also reenacted Amtrak through the end of this fiscal year.

It is my hope that as we look forward to the reauthorization of Amtrak, that we build on the success of the act and continue to increase investment in Amtrak and the States. In fact, I support the President's fiscal year 2014 budget proposed to create a dedicated funding source for Amtrak which would enable Amtrak to better budget its needs, including major infrastructure improvement. The fact is over the last 50 years, the Federal Government has invested nearly $1.3 trillion in our Nation's highways and more than $484 billion in aviation, but only since 1970, when Congress created Amtrak, did we begin to invest in passenger rail. Since that time, we have invested just $67 billion in passenger rail, a small fraction of what the European and Asian countries have invested.

In closing, let me just say that I want to, particularly, give a special salute to Mr. Boardman for joining us and for helping to organize this hearing. And I am really pleased that they have extended your contract. You have done a superb job working with all of the elements that you have to work with. Thank you.

And, Mr. Chairman, I look forward to hearing from the witnesses.

Mr. DENHAM. Thank you.

I now call on the full committee chairman, Mr. Shuster, for any opening statement he may have.

Mr. SHUSTER. Thank you very much. It is great to be in New York City. I thank the witnesses for being here today and thank Chairman Denham and Ranking Member Brown for putting together this hearing. It is an important hearing in Mr. Nadler's district.

I was just talking to him about the size of his district. My district is about 180 miles across and about 70 or 80 miles deep. His district is a half a mile wide and 7 miles long. We were discussing one day where he was from. We were talking about his district. I said I come from a town of 2,000. He said I can shake 2,000 hands in 1 apartment building in a morning. So it tells you how different this country is. It is really amazing.

It was great coming up here yesterday. Chairman Denham put together a rolling roundtable. So as we rolled up the Northeast Corridor, members from the different States' DOTs were getting on board talking about their projects, their needs. It was really a day full of gathering a lot of good information.

Always when we are doing a Northeast Corridor hearing, I have to have full disclosure. I am from Pennsylvania, and everybody says, well, he is for the Northeast Corridor because he is from Pennsylvania. I do not live on the Northeast Corridor. My district

is not on the Northeast Corridor. I am western Pennsylvania. So I am the other part of the State.

But I believe that the Northeast Corridor is extremely important. As Chairman Denham talked about the density of population here, when you look at the density of population, 18 percent of the Nation's population on 3 percent of our land mass, this is the perfect place to look at investing and making sure that passenger rail is viable. Again, you have got 4 of the 10 most populous metro regions in the Nation on the Northeast Corridor.

When we look at the United States of America, it took us 65 years to go from 200 million people to 300 million. In 2005, we crossed that 300 million person threshold, and they projected in 2005 that it would take 32 years to go from 300 million to 400 million. We are 7 years into it. Not everybody is moving from the Northeast Corridor to Ms. Brown's State or Arizona. The density continues to grow and expand, and we need to make sure that the Northeast Corridor, which is our most productive region in the country because of the population and the economic activity that goes on here—we have got to make sure we can move people around. So making sure the Northeast Corridor—we pay attention to it and make sure it is reliable, it is efficient, that is what we need to do.

Again, when you talk about what this administration has proposed, we recognize we do not have unlimited funds. So we need to make sure we focus on what makes sense and prioritize that investment in the infrastructure. And again, I believe the Northeast Corridor is one we have to pay attention to. And it is not high-speed rail, but higher speed rail, and we can make those investments here in the Northeast Corridor.

High-speed rail is great in theory, but with the limited resources we have, as Mr. Denham pointed out, we need to make sure we are focusing those dollars in places where we can have a significant impact and not think of pie in the sky type investments that really are not going to give us the kind of benefits that we need.

Responsible governing involves choices, and while this administration in its budget wants to fund everything, we really need to, again, focus like a laser on those things that are smart investments. All you have to do is look to Pennsylvania, from Harrisburg to Philadelphia, the investment that Amtrak and the State of Pennsylvania made in the Keystoner about 5 years ago. Since that time, they have reduced the travel time from Harrisburg to Philadelphia by about 20 minutes, and ridership the last I checked, which was months ago, was up 60 percent. It is probably higher than that now.

And, in fact, I tell people often, I should be the poster child for passenger rail because when my father chaired this committee and even before, when he was trying to reform Amtrak, I used to say to him as a 20-year-old that did not know a whole lot—I thought I knew a lot—I would never get out of my car and go to rail. I needed that freedom to leave, come and go as I pleased. But now today, I do not drive to Philadelphia or New York. I get on the train. I do not drive, whether it is from Harrisburg or Washington, DC, because it just makes so much sense. You can be so much more productive.

So again, focusing on the Northeast Corridor, getting the investment from the private sector. I think we have to look at ways to do that to incentivize them to get in the game here in the Northeast Corridor.

And I look forward to working with all of you trying to figure this out as we go.

Again, thank you, Chairman Denham and Ranking Member Brown, for holding this hearing. Thank you.

Mr. DENHAM. Thank you.

I now call on Mr. Nadler for any opening comments he may have.

Mr. NADLER. Thank you, Mr. Chairman. I want to thank you and Ranking Member Brown for holding this hearing today on the importance of the Northeast Corridor.

I would like to welcome everybody to my district, although that has been commented on already, and thank everyone for taking such an interest in passenger rail which is so vital to New York and to other cities along the east coast.

I ride Amtrak every week from New York to Washington and back again. Rail is the most reliable form of transportation, and it should be an option for all travelers within a 500-mile radius of any major city.

But the 11.4 million people who ride the Northeast Corridor each year and the residents and businesses of the region do not need convincing. The importance of the Northeast Corridor goes without saying. The real question is how best can we improve the Northeast Corridor and institute true high-speed rail service.

We all know that there is at least a $52 billion backlog just to reach a state of good repair and to accommodate future growth. The system is old. Much of it was constructed in the 19th or early 20th centuries. Bridges, tunnels, tracks, and signals all need to be upgraded just to keep up with demand on the current system. And the main reason for this backlog is chronic underfunding by the Federal Government. We place requirements on Amtrak and then we provide the bare minimum possible for the railroad to function.

In the fiscal year 2012 transportation appropriations bill, DOT received $71 billion, but of that, Amtrak only received $1.4 billion. That is about 2 percent of Federal transportation appropriations for Amtrak nationally, never mind the Northeast Corridor.

And then we hold hearings to ponder how we are going to develop the Northeast Corridor. Well, one answer is to invest orders of magnitude more than we currently do in passenger and high-speed rail.

Every major transportation system has been created with federally funded capital investments. Every mode of transportation, highways, transit, and aviation, relies on some form of public subsidy. Rail is no different. If we want to develop true high-speed rail in this country, it is going to take a much greater public effort.

Unfortunately, the current budget situation in Washington makes it highly unlikely that we will be able to increase funding for critical transportation programs in the near future. We should but I doubt we will.

I hope the situation changes and I will continue to work to undo the sequester and to increase investment in jobs and economic de-

velopment. Everyone here who cares about high-speed rail should do the same.

In the meantime, a constrained Federal budget is going to give people even more an incentive to turn to the private sector, and that is fine to a point. I think everyone here supports involving the private sector to some extent. Amtrak partners with the private sector now and is exploring opportunities to do so more in the future. But what we should not do is use private financing as an excuse to eliminate or reduce Federal investment in passenger rail. In fact, only with a strong Federal role will we be able to properly leverage private sector funds. And whatever we do, we must maintain proper Federal oversight and control, preserve good paying jobs and protect the public interest.

The good news is that despite the strain on the Federal budget, a lot is actually happening on the corridor. The NEC Advisory Commission is developing its vision for the Northeast Corridor. This includes not just coordination among the States in identifying critical needs for future growth, but also advancing a long-term regional investment strategy. FRA is currently conducting an EIS for corridorwide development and a service development plan, which should be completed in 2015.

I hope that we will build upon these efforts when we reauthorize PRIIA, the Passenger Rail Investment and Improvement Act, hopefully later this year. Amtrak provides an essential and valuable service. Amtrak and the development of high-speed rail is a critical part of any rational transportation policy.

I look forward to hearing from the witnesses and to working with my colleagues to build a competitive and visionary passenger rail system.

Thank you. I yield back.

Mr. DENHAM. Thank you.

Again, I would like to welcome our witnesses here today. Let me just go over some quick ground rules. We have got a 5-minute timer up here. We are going to go through a couple of rounds of questioning, but just like a stop light: green light, keep going; yellow light, it is time to start hitting the brakes; and red light, your time is up.

Our panel this morning includes John Fry, president of Drexel University; Robert Yaro, president of the Regional Plan Association; the Honorable Joan McDonald, commissioner of New York State Department of Transportation; and the Honorable Joe Boardman, president and CEO of Amtrak.

I ask unanimous consent that our witnesses' full statements be included in the record. 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. Fry, you are first this morning.

TESTIMONY OF JOHN A. FRY, PRESIDENT, DREXEL UNIVERSITY; ROBERT D. YARO, PRESIDENT, REGIONAL PLAN ASSOCIATION; HON. JOAN McDONALD, COMMISSIONER, NEW YORK STATE DEPARTMENT OF TRANSPORTATION; AND HON. JOSEPH H. BOARDMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMTRAK

Mr. FRY. Thank you, Representative Denham. Good morning. I am John Fry, the president of Drexel University, which is located in Philadelphia. It is next to Philadelphia's 30th Street Station on the Northeast Corridor in University City.

When I was the executive vice president of the University of Pennsylvania, which is right next door to 30th Station as well, I founded the University City District which promotes economic development throughout West Philadelphia.

In between, I was president of Franklin & Marshall College in Lancaster, Pennsylvania, where I led the Northwest Gateway Project, a brownfield transformation that relocated a Norfolk Southern railyard in order to connect the Amtrak station in Lancaster to an approximately 60-acre educational and medical district.

So I have a deep interest in how urban economic development and transportation intersect.

Thank you for the opportunity to testify on the importance of the Northeast Corridor.

America's 3 busiest train stations and 7 of the top 10 are on the corridor. Seventeen percent of the American population and 20 percent of the GDP come from the Northeast, with 15 million new residents expected in the next decades.

So the Northeast Corridor is the epicenter of American rail travel. And today, we are witnessing the incredible redevelopment of the urban cores that it connects.

The millennial generation shows a strong preference to work and live in urban environments. Aging baby boomers are relocating to cities for convenience, culture, and overall social environment. These trends are creating new demand for commercial and residential real estate development. Some employers are relocating to access young talent and retain senior personnel, and retail and service firms are ramping up significant urban offerings.

At the same time, highway and air travel in the Northeast are stretching beyond capacity. Fortunately, the Northeast Corridor rail service is a largely untapped asset that can be leveraged to take advantage of these trends. With reasonable investment, the corridor can produce considerable returns: not just improved transportation, but the development and long-term growth in its anchor cities like New York, Philadelphia, and Washington.

There are great new ideas gathering around the urban stations at the core of the system. Each neighborhood has unique characteristics that can inform the best fit development for the regional economy. Here in New York at Hudson Yards, it is a mixed-use project on the river, an entirely new neighborhood built over a railyard. In Philadelphia, we are capitalizing on our educational, medical, and research concentrations to develop a new high-tech, transit-oriented neighborhood around 30th Street Station, and similar opportunities exist throughout the Northeast Corridor.

Amtrak, to its credit, is studying how their stations can complement these urban neighborhoods. Amtrak's flagship study is the Washington Union Station master plan for Washington, and others are happening in Baltimore, Boston, here in New York, and in Philadelphia where Drexel is proud to be Amtrak's lead partner.

Significant value can be created by developing air rights on adjacent land and improving station experiences, and that in turn will drive urban development and lead to reinvestment in Northeast Corridor operations.

But the gains are hard to realize given the limited resources of rail operators and Government, and the solution is public-private partnerships either with corporate partners or with anchor institutions, particularly research universities and health care systems. And that is the model for Drexel's partnership with Amtrak and other Philadelphia stakeholders.

Between our campus and 30th Street Station sits about 12 acres of very underutilized land with the potential to yield 6.4 million square feet of development next to the station. Even when commercial interests lagged, it was clear that these were incredibly important parcels. So our university has assembled these parcels at considerable cost to Drexel. Now we have undertaken a mixed-use development called the Innovation Neighborhood built on several principles.

The first principle is to co-locate our vibrant translational research enterprise with corporate partners who can help us commercialize our research and work with us to transform the 30th Street Station area. Translational research thrives when commercial entities are deeply involved with an eye to licensing and eventually starting up new ventures. So we are in discussions with a number of companies, and I do not think it is farfetched to envision a high-tech business environment like Cambridge or Research Triangle Park with all the new jobs and economic growth that that implies locating next to 30th Street Station.

Our second principle is to use the Northeast Corridor as a competitive advantage for our university, and the impact for Philadelphia when visitors disembark into a brand new neighborhood dedicated to learning, innovation, and entrepreneurship is just an incredible vision.

But as exciting an opportunity as the Innovation Neighborhood is, the true transformational opportunity around 30th Street Station is the development of the air rights over the 100-acre Penn Coach Yards owned by Amtrak and SEPTA. It is Philadelphia's own Hudson Yards, and it is a key dimension of the master planning process led by Amtrak and Drexel. It is a project measured in decades rather than years, but it is the right time to start this work and explore similar ideas along the Northeast Corridor and that is what we are doing now as we speak.

So let us not fail to utilize these incredible assets, and let us be seen as the generation that invested in and leveraged the rail system to its full potential.

Thank you.

Mr. DENHAM. Thank you, Mr. Fry.

Mr. Yaro?

Mr. YARO. Thank you very much for the opportunity to testify this morning. I am Bob Yaro. I am president of Regional Plan Association, which is a not-for-profit research group here in New York that for a century has done strategic——

Mr. DENHAM. Can you pull the microphone closer?

Mr. YARO. Oh, sure.

I am Bob Yaro. I am president of Regional Plan Association. For nearly a century, RPA has done strategic planning for the New York metropolitan region, infrastructure, environment, business development, and so forth.

Several years ago, we began to look at the Northeast Corridor as one of the keys to New York's mobility and economic future, and again through my work at the University of Pennsylvania, I have led several research teams that have looked at the opportunities to develop and redevelop the corridor.

Today we submitted testimony to you that outlines a proposed program that we are calling "NEC Now," which would be a priority investment program. Many of the rogues gallery of failing bridges or antique bridges and tunnels that you saw yesterday—all of them, I guess, are on your list. We have got this problem of century-old infrastructure which is being held together by Amtrak with Band-Aids and bailing wire at this point. We learned with Sandy just how vulnerable it is to catastrophic damage with the flooding that we had in the Hudson River tunnels, which virtually shut down the mobility system of the Northeast for a week.

This is a really expensive hobby. We have a $1.5 trillion economy here in New York. The Northeast has a nearly $3 trillion economy. It is driven by accessibility. That is one of the reasons why people locate here and stay here. It is why talented people come here. It is why the Northeast has for 230 or 240 years been the engine of the national economy and continues to be. Close to a quarter of the national economy is here in the Northeast.

We virtually shut it down with Sandy and the loss of the Amtrak service and the intercity service.

And by the way, it is not just Amtrak's service that we depend on. You know, it is about 11 million passengers a year. It is a total of 260 million passengers a year that use the commuter rail services in the Northeast. This is really the lifeblood of our economy. These tend to be the highly skilled people that drive the innovation economy of the Northeast: financial services, business services, science, technology, and so forth. And the reason, as President Fry mentioned, that we can think about having innovation districts around stations is that this mobility system, the Northeast Corridor, is critical to both the present and future economy of the Northeast.

So we believe that the very first thing, of course, that has to happen—I was going to open—and you will see in the testimony that I opened with this bit of history. Fifty-one years ago this year, two New England politicians proposed long-range visions for the United States, and one of them, of course, was President Kennedy's call for reaching the moon within a decade. The other was Senator Claiborne Pell's proposal for a high-speed rail corridor in the Northeast between Boston and Washington, which would have been the

world's first. Of course, we did get to the moon. We did not quite get to Boston with the Northeast Corridor improvements.

So elected officials have been kicking this one down the road for two generations, and we believe that it really is time to begin work not just in attaining a state of good repair, but actually creating improvements, expansion in capacity, reliability, travel time savings, and so forth.

So in the testimony that we have submitted, you will see that we have outlined what we call the "Northeast Corridor Now" program, and this is not to in any way undercut the important work that the Federal Railroad Administration is doing with its NEC Future program, the long-range master plan for the corridor, which is urgently needed. But we have got a set of bridges and tunnels and interlockings, and so forth that are prone to failure. It is kind of like I have had back trouble, and there are times that people ask me how I am doing. And I said, well, I feel like a 90-year-old man. I am feeling really good today, but you do not know what is going to happen tomorrow. And many of these facilities really fall into that category.

I think you will hear from President Boardman that Amtrak very often on the Susquehanna Bridge or some of the Connecticut movable bridges very often will have to have people out there with crowbars to get these things closed once they have been opened. You know, we really ought to secure some of these things for the Smithsonian Institution when we are done building their replacements because they really are industrial archaeology at this point.

So the $39 billion program that we are recommending would be funded under this proposal, $10 billion in grants, $30 billion in RRIF loans that would be repaid by the States and by Amtrak over an extended period of time. And we believe that there are real opportunities for private investment as well. And we believe that the Northeast Corridor division of Amtrak is well positioned to do that and could use some additional authority to enter into P3s and design/build projects to deliver this thing within a 10- or 15-year period.

Thank you very much.

Mr. DENHAM. Thank you.

Ms. McDonald?

Ms. MCDONALD. Good morning and welcome to Moynihan Station. I am Joan McDonald, commissioner of the New York State Department of Transportation. I am pleased to have the opportunity to discuss with you today the efforts of Governor Cuomo and New York State DOT as they relate to mutual cooperation, planning, and investment.

We are all aware that realizing a bolder vision for the future requires unprecedented collaboration among States. New York State DOT is working through the Northeast Corridor Commission on comprehensive corridor planning. This is a daunting task for a corridor that spans eight States and the District of Columbia, supports nine passenger rail operations, including four of the five largest commuter rail services in North America, serves four freight railroads, and has four separate infrastructure owners.

We have risen to this challenge and made the most of the resources available and the expertise of the professionals who are

dedicated to realizing our mission. Our goals are varied, but they are all crucial components of what we are ultimately striving for: economic growth, connectivity, improved service reliability, and improved travel time.

While more resources are always needed to continue the good work we have already begun, the Northeast Corridor has benefitted from the $1.3 billion in capital funds appropriated to Amtrak in the ARRA act and another approximately $1 billion in high-speed rail program grants from the Federal Railroad Administration. On top of that, Northeast States have received almost $700 million in grants for connecting rail corridors, as Congressman Shuster said in Pennsylvania, as we have experienced here in New York between Albany and New York City.

In New York, under the leadership of Governor Andrew Cuomo, construction is underway on a new grade-separated flyover at Harold Interlocking where Amtrak, New Jersey Transit, and Long Island Rail Road trains, 783 per day, converge north of Penn Station at the busiest junction in North America. The $368 million removal of this bottleneck is funded in part with a recently awarded $295 million grant from FRA, but here in New York, we believe locals must also participate. So the MTA contributed a healthy $73 million in State funds towards that project.

In addition, with the support of $83 million in Federal TIGER grant funds and $30 million in FRA funding, New York, in partnership with Amtrak and private developers right here at Moynihan Station, have begun construction on $297 million of improvements for passenger access under what is planned to be a new station on the site of the former Farley Post Office building where we are sitting adjacent to the existing Penn Station.

As we look further ahead, much more is on the horizon. The Gateway project to expand capacity across the Hudson River and within Penn Station is in the preliminary design, as is phase II of the Moynihan Station project to construct the new train hall in this building. It is clear that "New York Works."

And while we take pride in the accomplishments of my home State, my work as the former chair of the Northeast Corridor Commission for the past 2 years has been focused on the much bigger picture that the vast needs of the corridor entail, as well as the necessary and fulfilling task of strengthening existing partnerships and building new ones. I am proud of the way all of the States and DC committed to and endorsed each other's projects while never losing sight of our individual State core mission and goals. Connectivity is a key element of what we are working to improve in transportation and economic development, and connectivity is what we have achieved in this collaborative relationship.

We know the Northeast Corridor must balance critical investment needs just to maintain the safety and reliability of current services with the concurrent need to address consistently growing passenger service demands. The fact that commuter services and Amtrak services interconnect at common facilities and on common trackage creates a situation where delays to any one service will quickly cascade and adversely affect the on-time performance of the other rail services. Without significant and sustained levels of in-

frastructure investment, rail operations on the corridor will suffer, as will the economic benefits of the corridor.

The reality is that deferred maintenance of key components in the corridor is no longer an option. Infrastructure inherited from past generations can no longer provide the mobility needed to support continued, robust economic growth. New investment in state of good repair is essential. We often think what might happen if we lost this invaluable resource, and Hurricane Sandy brought that home.

The PRIIA act which created this commission is about improvements, and this work is well underway. But PRIIA is also about investing.

The Northeast Corridor is a national resource, and we look forward to working with you on the future. Thank you.

Mr. DENHAM. Thank you, Ms. McDonald.

Mr. Boardman?

Mr. BOARDMAN. Chairman Denham, Ranking Member Brown, Chairman Shuster, and Member Nadler, thanks for the invitation to testify this morning.

Given that we have had an opportunity to see the Northeast Corridor firsthand, I think it probably will be more useful if I discuss this asset in the context of reauthorization and funding concerns rather than reviewing the plans and programs we discussed on our trip up to New York.

As you probably know, Amtrak took the Northeast Corridor over from the privately owned Penn Central Railroad in 1976. Penn Central was then in bankruptcy, and the transfer of the Northeast Corridor to Amtrak was part of a much larger Federal plan involving Conrail. The Northeast Corridor passed to Amtrak, which implemented several significant repair and improvement programs in partnership with the FRA, transforming a dilapidated, midcentury rail operation into the high-speed and high-capacity rail route we have today.

We have done a lot with that route, but today we face a lot of challenges. We have mapped out an investment plan to build capacity on the existing Northeast Corridor, but the limits of the existing infrastructure are the results of the limited investments that have been made available. We share the route with eight commuter operations, and several of the most important segments such as the New York tunnels are at capacity.

Demand for intercity and commuter passenger rail is growing. The Federal Government must act now with this reauthorization opportunity to take the lead in funding a major program that will build out the rail infrastructure we are going to need in the next coming century.

These are questions any reauthorization must deal with, but there is a more pressing and immediate question and that is the decapitalization of Amtrak's assets. Decapitalization occurs when the total annual capital allocation is insufficient to meet both the ongoing normalized replacement and the backlog capital requirements. And that means today we are eating our assets alive. That leads to rapidly increasing degradation of ride quality, reliability, and ability to support major projects like those discussed on our trip here and those being discussed this morning.

On the way up, Chairman, I said to you that when Amtrak installed concrete ties, they were expected to last 40 to 50 years. The average life was only 10 to 15 years. This premature failure has taken funding for replacement that would have gone to other work like interlocking replacement, ballast maintenance, and cleaning or the removal and replacement of the subsoil and ballast to stop the mud pumping. These things create a rough ride that may cause us to begin to slow down our speeds.

Decapitalization is increasing the number of disruption incidents on electric traction and communication and signal systems that reduce reliability. These issues must be addressed and thought through for any reauthorization.

Amtrak completed a comprehensive state of good repair plan in 2005, vetted it with appropriate parties, including Congress, the administration, the oversight agencies, and then Amtrak updated it every 2 years. The most recent update was in 2011.

The present backlog is $6 billion. I need $386 million every year for normalized maintenance and I need $396 million every year for the backlog work, and I need it for the next 15 years. I need $782 million every year for the next 15 years. That will not address capacity improvements or trip time reductions or other new initiatives, but it will allow Amtrak to run a safe railroad at maximum allowed track speed, maintain an excellent on-time performance, and meet the basic needs of those who want to develop real estate and fill their development with people who they expect to come by train: by Amtrak, New Jersey Transit, Long Island Rail Road, Metro North, SEPTA, MARC, MBTA, Shoreline East, and VRE. The reduced level of investment has resulted in a cumulative degradation of its components, nearing the loss of asset functionality and decreased reliability of the system that threatens the successful continuity of Amtrak's passenger operation.

Thank you very much.

Mr. DENHAM. Thank you, Mr. Boardman and thank you to all of our witnesses.

Let me just say that this committee is very focused on getting the passenger reauthorization bill done this year. It does expire in the fall, and we certainly want to work with all of you, as well as the stakeholders up and down the Northeast Corridor and across the Nation. You all have been very willing partners. It makes the job a lot easier to see the Northeast Corridor come together and prioritize working together. We have had meetings in DC. We have had our rolling roundtable now here, and we will continue to travel across the Nation looking at all rail projects, both long- and short-haul, State-supported routes. We will be in Chicago next week and Springfield taking a look at the projects that are going there. So we are very committed to this and we certainly appreciate your partnership.

Let me start with the questioning this morning. First, Mr. Fry. One of the things that we continue to talk about both in the challenges with California and its high-speed rail and the lack of a private investor there to be able to complete that plan. We are looking at private investment, public-private partnerships. And I wanted to start the questioning with you.

Can you explain how you are funding your Innovation Neighborhood project? Explain a little more in detail how that is working.

Mr. FRY. Thank you.

So to date, Drexel has spent approximately $30 million to assemble the 12.5 acres that I mentioned earlier, which would yield the 6.5 million feet. So that has been our primary investment today.

And in working with President Boardman, we have created a joint venture between Amtrak and Drexel to now study the feasibility of developing the air rights over the 100-acre Penn Coach Yards, which are owned and utilized by Amtrak and SEPTA. That study will be between $2 million and $3 million, and the university will fund that study because we believe, since we have initiated this and Amtrak obviously has its resource constraints, that the private sector, in this case Drexel, will step in and fund that study.

Mr. DENHAM. $2 million for the study?

Mr. FRY. Between $2 million and $3 million. Probably, let us say, $3 million.

Mr. DENHAM. And $32 million was what Drexel——

Mr. FRY. $30 million for the assemblage of the property around 30th Street Station, and we spent that over the last decade. So we are already really invested in just sort of assembling the ground and beginning to think about the development of the ground.

In the meantime, what we are doing is now beginning to construct university buildings in that area, and so we are just about to open in September a $90 million business school located at 32nd and Market, which is in this Innovation Neighborhood, and we are now also getting prepared to put out a series of RFP's to begin to take a look at other parcels within that 12.5 acres to see if they can be developed for commercial, residential, and retail purposes. And we will do that all with private sector dollars.

And so between the university and private sector developer partners, we intend to begin the orderly development of the 12.5 acres that we control as we are studying the air rights development over the Amtrak and SEPTA properties. We think all of that will come together into a probably decades-long development, which again I think would be largely funded by the private sector.

Of course, the key to taking this and bringing it to the next level is the high-speed rail which would bring us under 40 minutes to New York and about an hour to Washington. I think if that occurs over time, that takes what we are doing, which is a pretty significant thing, and drives it to the next level in terms of its potential.

Mr. DENHAM. And did you initially do an analysis to determine what spending levels you would need, what resources would be available to improvements?

Mr. FRY. That is what this study—this $3 million study we are engaging in will basically be a technical study to take a look at the air rights development to understand what is the feasibility of that, first of all, technically because the big issue, of course, is to not impact in any negative way rail travel through 30th Street Station. That is sort of job one. And then job two is to figure out, if it is technically feasible, what is the financial investment, and how would that be made, and how would that be financed over time.

Mr. DENHAM. Thank you. And since we are at the ground level of development without any additional funding, how can Federal policymakers encourage more developments like your project?

Mr. FRY. We would like to see as many tax incentive programs as possible for rail development around major train stations like 30th Street Station. The incentive programs really work well. We have something called the Keystone Opportunity Zone in Philadelphia which has really been a pretty brilliant incentive for development in Philadelphia. It is sort of a 10-year tax abatement. Ten of our sites within the 12.5 acres have this Keystone Opportunity Zone designation. If there could be other Federal programs that would help stimulate development around stations like 30th Street, that would be enormously helpful. I would say that is the first thing. And, of course, funding for high-speed rail would be the other thing.

Mr. DENHAM. Thank you.

Ms. Brown?

Ms. BROWN. Thank you, Mr. Chairman.

I guess I am really smiling because for once, I think we are all on the same page. And, Mr. Chairman, we have you on tape saying that we want more speed. And the question is how are we going to get there.

There are a couple of questions. The RRIF loan. We all supported it. I do not care whether it was the Bush administration or the present administration. There is some reason why we cannot get that program to work, and I would like to know what are the things that we could do to get the improvements in that program. We have bonding capacity for how much money?

Mr. YARO. $30 billion.

Ms. BROWN. $30 billion, and you say you want it all?

But just tell me how can we improve that program? And also you mentioned it is 53 miles—I think it is in the New York area that the train has to go a certain speed? What is the speed that they can go?

Mr. BOARDMAN. It is the territory north of New York to New Haven, Connecticut.

Ms. BROWN. Yes. And so that is one of the reasons why we cannot speed it up. So can you discuss those two things?

Mr. BOARDMAN. I can talk about it a little bit, Congresswoman.

We have a commuter operation that owns the piece of the property after you go into New York and on to Connecticut that only has a need of a speed of about 70 miles an hour. It is an area that we believe we could do 110 miles an hour and reduce the amount of time traveled because it is a 50- to 60-mile piece of railroad. And it is something that means that all of that would need to be upgraded, which would take investment, either transit investment or Amtrak or——

Ms. BROWN. What is the cost on that?

Mr. BOARDMAN. I do not have it here. I think we have an estimate that that could be identified. I do not think that is in the critical infrastructure. Is it, Joan?

VOICE. No.

Mr. BOARDMAN. That did not get put in there.

Ms. BROWN. That is something that we need to know how could we——

Mr. BOARDMAN. Yes, we can do that, and we can follow up with a response on that.

Ms. BROWN. But the RRIF loan, because that has been a sticking point, and I think all of the members support improving the program because that is one way that we could fund the system.

Mr. YARO. I can comment on that. I think what we need to do is to modify the program so that it works more like the TIFIA program which does wok on bridges and highways well.

I think one of the issues is the extreme requirement for collateral upfront. Amtrak, for example, cannot use its budget as collateral towards RRIF loans. What we would suggest is that in fact any Federal grants that are made to Amtrak or to the States along the corridor, that they be able to use their Federal funds as collateral towards the RRIF loans. I mean, they have pretty good credit—these States. And in fact, you know, it is a publicly owned asset.

And I think part of the problem is that the RRIF loan program was written with private freight railroads in mind. Here we are talking about a publicly owned asset. It is a federally owned asset for the most part. States own pieces of it and so forth. It is not going away. It is a public responsibility. And so I think it is probably safe to assume that this is a safe credit risk if in fact we make loans and made those modifications. So that is really essential and that would be something that we would hope would be included in the new PRIIA legislation.

Ms. BROWN. Mr. Boardman?

Mr. BOARDMAN. Bob is right in many ways, but the difference with TIFIA and with highway is you have contract authority, and year after year, you receive a funding on the highway side, whereas with Amtrak it is year to year. So the way OMB or the risk folks would really look at this is you may not have an appropriation the following year, which means there is no money there to pay back the loan. That is the reason that occurred that way.

Ms. BROWN. Mr. Fry, having gone to Europe, everywhere there is a high-speed station, there is development around those stations. And even, let us say, Crystal City where I lived for 10 years, every place that you have a development like that, all kinds of opportunities develop whether it is daycare, hair salons, drugstores, or coffeeshops. So that is the key to get those developments around those stations.

Mr. FRY. I could not agree more, and I think that in addition to the things that you outlined, in University City, home to the University of Pennsylvania, Drexel University, Children's Hospital of Philadelphia, Hospital of the University of Pennsylvania, there is over $1 billion of sponsored research being conducted within a half a dozen blocks of each other. And so the idea of taking this area and devoting it to the purposes of innovation and entrepreneurship and new business formation, in addition to building strong neighborhoods next to the station, is a really exciting type of thing.

Ms. BROWN. Yes, sir.

Mr. DENHAM. Mr. Shuster?

Mr. SHUSTER. Thank you.

Ms. McDonald, I know you are the former chairwoman of the Northeast Corridor, and if you would, can you tell us some of the concerns States have when they are asked to invest their money into Amtrak?

Ms. MCDONALD. Sure. You know, we have been in existence for 2 years, created as a result of the PRIIA legislation. And I think, as I mentioned in my testimony, one of the key areas is, you know, States are very proud of their home States, and when the funding became available from Florida and other States and got reallocated, we made the decision to endorse each other's projects. And that was a huge first step because it really demonstrated to each of us that we were not only committed to our home State but to the corridor.

Some of the frustrations with any construction project is how quickly they get off the ground. And we have had this conversation with FRA, getting some of the funds out the door. The most difficult part of these construction projects is doing the work in active railroads, and it is not just the active Amtrak intercity passenger, but for almost every State, the commuter rail and making sure that the work gets done in very tight windows. You know, like Steven Gardner mentioned yesterday, the tunnel—the work that gets done on the weekends, which is one of the busiest ridership times. So there are frustrations, as with any capital construction project. Work takes too long.

In New York, we just adopted, under Governor Cuomo's leadership, design/build legislation which really gets the projects out the door much more quickly. So we want to make sure that both FRA and Amtrak are using all of the tools at their disposal also.

Mr. SHUSTER. Well, I am a big fan of design/build. We ought to be pushing that everywhere we can.

Ms. MCDONALD. It has helped tremendously. Tremendously.

Mr. SHUSTER. Can you provide us information on the savings that you believe you have reaped or the time savings, the dollar savings?

Ms. MCDONALD. Yes, I would be happy to do that. It is primarily with our road and bridge projects, but we can show where it has worked and how it is providing great benefits.

Mr. SHUSTER. Mr. Yaro, in PRIIA, we passed the legislation that says the States going forward are going to pay their fair share. I do not know if they are paying enough, and I just wanted your view on the benefits that these commuter rails in communities receive from Amtrak. Do you believe it is the right thing to do in these communities to share in the maintenance?

Mr. YARO. Yes. As you know, the PRIIA legislation called for the commission to develop a cost allocation formula essentially. And that analysis is being done. The negotiations are underway between the States.

The challenge is that as Joe Boardman said, we have a depreciating asset here. We have an asset that is deteriorating. The backlog of deferred maintenance and normal replacement investments has gotten bigger, not smaller. And so basically what we are asking the States to do is to belly up to help fund a depreciating asset. So I describe it, it is kind of like going over here to Macy's and saying we have got a great sale here. We are going to ask you

to pay more for less. You know, it is really a hard sale. And I think what we need to do is to change that so that in fact there is an upfront commitment by the Federal Government to finally restoring this corridor to a state of good repair. You add it up. What is it, Joe? It is close to 40 years now since the Federal Government took this thing over, and we just keep kicking this down the road.

It is very interesting. I think, if you guys have not done it, take a look at the experience in the United Kingdom where they privatized the rail system without investing in it upfront. They had several disastrous train wrecks and so forth. They renationalized it, then dropped close to $100 billion into bringing the whole system back to a state of good repair. And then they were able to bring in private—you know, P3s and so forth to operate trains. They are now talking about privatizing it again. But this time they got a real opportunity to do it because it is a functioning asset.

Mr. SHUSTER. Well, and also what we have learned in Europe is by 2014, the EU has passed a law that on any passenger rail line, there is going to be competition. So that is something else we can look at over there.

And to my good friend from Florida, I do believe in higher speed. I am not so sure in my lifetime if we are going to see high speed. I think the example in England that I learned is it is not always about speed. It is about reliability and it is about frequency.

Mr. YARO. And capacity, right.

Mr. SHUSTER. Exactly.

Virgin Rail told the story—I forget what line it was going into London. It was an hour and 15 minutes, and as any good company would do, they went and polled their customers and said we are going to take it from an hour and 15 down to 55 or 50 minutes. And it was overwhelmingly rejected. So they did focus groups and said why do you not want to get there quicker. And they said an hour and 15 minutes is perfect timing for me to get on the train, get a cup of coffee, boot up my computer, do some work, and when I get to work, I have been productive. But 50 minutes—they said by the time you get your coffee, boot up your computer, we are there. So it is not always about speed.

Mr. YARO. But when you go back to the United Kingdom, they are now investing—it is about $60 billion in a high-speed service between London and Manchester. Eventually it will be extended to Scotland. And they are doing it to create the kind of economic transformations that John Fry was talking about to create real synergies between the economies of the cities in the Northeast. We do need to strive for that. We can move towards higher speed service, and that is really what the Acela service is. And that has proven that people will pay a premium.

Mr. SHUSTER. I have violated my own rule. I have gone over the 5-minute rule. The chairman is staring me down. So I yield back.

Mr. DENHAM. Thank you.

Mr. Nadler?

Mr. NADLER. Thank you, Mr. Chairman.

Commissioner McDonald, some have suggested mandating competition on the Northeast Corridor. We were just talking about that. The corridor is jam-packed. We know all the statistics. I think we should be focusing on addressing the backlog on the corridor

and needed infrastructure improvements. What are your views on that?

Ms. MCDONALD. I agree with you. I think investments in the corridor are key. And as Bob just pointed out, that is what is going to make a successful railroad. And I was thinking, as he was discussing with Chairman Shuster, what Metro North and Long Island Rail Road have done over a 30-year period is they have invested $22 billion, almost all of it in state of good repair, and one of the reasons they have been able to do it is because they have known 5-year capital plans so they can make those state of good repair investments. And I think the investments has to be the top priority.

Mr. NADLER. Thank you.

Mr. Boardman, can you comment on the same thing?

Mr. BOARDMAN. I would be happy with 5 years of capital investment that we could count on. Absolutely.

Mr. NADLER. You do not have 5 years now.

Mr. BOARDMAN. No, we do not. We have plans, but we have——

Mr. NADLER. No assurances.

Mr. BOARDMAN. No assurances.

Mr. NADLER. Thank you.

Mr. Boardman, some in Congress have proposed separating Amtrak's operations and maintenance into two separate businesses. Do you have any concerns with that?

Mr. BOARDMAN. Yes. I think you have to have a system that operates for the safety of the public and for efficiency together, not separately.

Mr. NADLER. Thank you.

And also, do you believe the private sector would invest in the Northeast Corridor in its current state? And if not, what would it take to attract private investment?

Mr. BOARDMAN. Actually—and I think John Fry talked about it—they are already investing in the Northeast Corridor from the standpoint of the real estate development.

Mr. NADLER. I do not mean that. It is obvious to me that where you have assets, especially air rights or territory around rail hubs, that you should use those assets and you should have private sector partnerships, sell them, whatever, and develop exactly as Mr. Fry was talking about, and realize income for the railroads too. But I mean invest in the railroad itself.

Mr. BOARDMAN. I think that Perry Offutt answered that in a couple previous—and he is an investor here in New York. There would have to be some availability payments. If the private sector was going to invest in anything, there would have to be a guarantee that the Federal Government would continue to provide a subsidy or investment, however you would look at it. If there was not enough revenue, then there would be availability payments from the Government. And that is how it has worked almost everywhere.

Mr. NADLER. No Congress can bind its successor, as you know. So would a multiyear authorization be sufficient to provide such guarantees?

Mr. BOARDMAN. I would have to ask the private sector to deal with that. But there are a lot of innovative ways today that the

Federal Government and others have looked at doing something like that. It does not mean that sitting here, as the president of Amtrak, that I am supportive of it. The fact is that there are a lot of creative ways today to do something different, but you do have to have contract authority to do it.

Mr. NADLER. And some have recommended a new governance structure for the corridor. Do you have any views on that?

Mr. BOARDMAN. We have one. We already have one.

Mr. NADLER. And a sufficient one. OK.

And finally, Congress has failed to provide the high-speed intercity passenger rail program with any Federal funding for the last 2 fiscal years. With future funding still uncertain, can you explain why funding is so important and what is at risk in the Northeast Corridor if we fail to make adequate investments?

Mr. BOARDMAN. Well, I think that a lot of people talked about that all the way around that this morning. I think that the financial community of this Nation, New York where we are sitting today, is at real risk without the investments that are going to be necessary to become competitive globally, and that includes faster railroads in the Northeast.

Mr. NADLER. So we cannot depend on P3s or private sector investment for that. We have got to have substantial Federal investments.

Mr. BOARDMAN. Absolutely. There are no really fast railroads today that have avoided having Government take a lead role.

Mr. NADLER. Thank you.

Finally, Mr. Yaro, you stated that the RPA recommends that the next Federal rail bill authorize funding to completely eliminate the $9 billion backlog of major state of good repair problems and make certain improvements and substantial additional funding to address major infrastructure needs in the corridor.

Mr. YARO. Yes.

Mr. NADLER. Do you believe that it should be financed by the Federal Government, and at what point would there be the greatest potential for private investment?

Mr. YARO. Well, I think, you know, everywhere in the world, the Government investments have had to come first to essentially prime the pump. I think once that happens, there could be opportunities certainly for design/build, and that provides real efficiencies, shares some risk, and so forth.

Mr. NADLER. But not until the Federal investment.

Mr. YARO. Again, we have got this thoroughly depreciated asset. It has got to be a viable asset. And I think once that happens that, yes, indeed, there would be opportunities for public-private partnerships.

One key thing to keep in mind is that when private investors put money into a project, they generally want to get their money back with interest. We have got 260 million passengers a year in the corridor. The projection is that if we make these investments, it will go up to 410 million over a 25-year period. So the potential is there for the passengers to help finance this thing, and that might be a way to do public-private partnerships.

Mr. NADLER. Thank you.

I yield back.

Mr. DENHAM. Thank you.

Mr. Boardman, what is your definition of "fix it first" with regards to the Northeast Corridor?

Mr. BOARDMAN. I think it is getting as close to the state of good repair as we possibly can along the corridor.

Mr. DENHAM. And would you prioritize existing infrastructure replacement and improve ahead of your high-speed rail vision?

Mr. BOARDMAN. Yes.

Mr. DENHAM. So the $30 billion is fixing it first. We have got to fix the current situation.

Mr. BOARDMAN. Yes. The $6 billion is what I am really talking about, Chairman, that absolutely needs to be done to the basic infrastructure on the corridor. When we get to $30 billion or the $52 billion, or whatever you call it, in the critical infrastructure, that is more than state of good repair in terms of the basic infrastructure. It includes rebuilding other facilities at a much higher level.

Mr. DENHAM. Thank you.

And when you prioritize investment, is there a cost-benefit analysis conducted with ridership, economic benefits to local, State, and Federal entities?

Mr. BOARDMAN. Well, there is some. I do not know if it has the detail that people would really be looking for, but we have done several studies that look at cost-benefit based on speed, reliability, on-time performance. All of those exist. It has not been broken down, I do not think, to every particular local jurisdiction, but for the corridor itself, yes.

Mr. DENHAM. Thank you.

And if you could provide that cost-benefit analysis to us.

Mr. BOARDMAN. Sure. I think it has been provided to you but we will look and see whether the business plan that was put together for the high speed has been supplied. I think it has.

Mr. DENHAM. Thank you.

I think I have a little difference of opinion with the Chair. I do think that we will see high-speed rail in my lifetime. The question is what is it going to look like. And my concern with California is it was passed by voters as a $33 billion project. It was supposed to have a private investor that was going to pick up a third of that and buy the rolling stock. It had a pretty aggressive timeline. Now that timeline is much longer, and they have got a real shortfall in funding by their own numbers, which raises big questions about their own numbers. But by their own numbers, there is a $38 billion shortfall. So they are breaking ground in 2 months, going to spend the first $6 billion. They have a $38 billion shortfall.

I would assume that once the project starts, that there will be a push from my friends in Congress to finish that project. With limited funds, if you spend $38 billion in California, I would assume, because the project has started, that has some type of effect on the Northeast Corridor. I mean, we have a big problem with funds today.

So do each of you have concerns with California high-speed rail and whether or not—you know, we can see, just riding yesterday, what needs to be done. My concern with the Northeast Corridor is we cannot afford to wait until something breaks or there is a safety issue before we fix it. I would like to have each of you comment

on the funding issue from a Federal perspective and whether you have concerns with the California high-speed rail project.

Mr. Yaro?

Mr. YARO. Well, if you are looking for somebody to do a hatchet job on California high-speed rail, I am not sure I want to do that.

Mr. DENHAM. And I am not asking you to pick on California high-speed rail. I am asking specifically about the Federal funding.

Mr. YARO. Well, let me put a different——

Mr. DENHAM. Because we have to prioritize. There is only so much money, and we are going to be looking at the entire Nation, different high-speed rail projects, different long-/short-haul routes, as well as the improvements on the Northeast Corridor, and hopefully some day soon, actually high-speed rail in the Northeast Corridor. But we have to figure out how to fund those projects.

Mr. YARO. Well, as you and I were chatting before the hearing began, these are very different projects. We have the most densely used, heavily used transportation corridor in the United States here in the Northeast. The Central Valley piece of the California project, which is in your district, of course, there is no effective rail system now. There is, I guess, a very slow Amtrak line that uses an existing freight line and so forth. So it is very different.

The challenge in the Northeast is to accommodate the next 20 million people that we expect to have here in 30 years. And in California, it is virtually the same number. It is about a 15 million or 20 million increase in the population of the State of California. Both places have enormous problems with the capacity of airspace and the aviation system and the roadway system to accommodate the projected growth in intercity travel demand. That is what we are dealing with.

Mr. DENHAM. That is from a funding issue. I mean, we are going to deal with the same thing on the highway bill. There is a huge shortage of funds. We have got to fix the highways, but we only have about 2 years' worth of funding for a 5-year bill. We are going to deal with the same thing on the rail as well.

We want to improve the Northeast Corridor, but if you are trying to come up with a new $38 billion for California high-speed rail and that is somehow prioritized over the Northeast Corridor, does that concern you?

Mr. YARO. I think it does, yes.

One thing I would suggest—and I recommended that we pull down as much as the $30 billion in RRIF loans that are available for the Northeast. One thing to handle this thing is to say we are going to make loan funds available for high-speed and intercity transportation projects and allow for a competitive process. In the Northeast, I know that the capacity is there to pay back those loans because we have got the ridership now and the projected increases in ridership in the future to support that. That might be a way of handling it.

Mr. DENHAM. Ms. McDonald?

Ms. MCDONALD. Sure. I want to focus on a couple issues that you raised. First of all, you mentioned the potential of $38 billion in shortfall. And in my 20-plus years in transportation, one of the things that both Government, the construction industry, and elected officials all participate in is like you said. Once the shovel is in

the ground, nobody is going to stop construction. So how do we deal with cost overruns? And that is an issue that is confronting, like you said, both on the transit side and on the road and bridge side.

And what we have adopted at New York State DOT is the preservation first, which speaks to Joe Boardman's point of investing the $6 billion or $9 billion, whichever it was, in state of good repair. You start to get to that steady state and you have certainty as to what those costs are going to be over a 5- to÷-year horizon. You then have more discretion to do the capacity building projects, but it requires what I call small "p" political will which are all of us as managers to hold people's feet to the fire and use the innovative contracting mechanisms, design/build, using guaranteed maximum price, using incentives and disincentives for contractors, and being forthright at the front end what the true cost of the project is. We cannot say it is a $1 billion project if it everybody around the table knows it is really a $4 billion project. And we have to make sure that those conversations happen. But it really is, I believe, using the different contracting mechanisms and having strong management and disincentives when costs overrun.

Mr. DENHAM. Thank you.

Mr. Fry?

Mr. FRY. I cannot really comment on the funding situation, but I can say that it would be nice to be able to demonstrate to the American people that there is a project out there that actually could get done that would demonstrate in visible ways what high-speed rail can mean. And, of course, in a very self-centered way, I would love that project, the first one, to be from Philadelphia to New York. It is a reasonable distance. I think it would prove the concept to everyone who would take advantage of that right now. Again, that is obviously biased on my part. On the other hand, I think that is a relatively manageable distance. It is two very populated cities, and I think it then lends itself to phasing in other parts of the east coast.

Mr. DENHAM. Thank you.

Ms. Brown?

Ms. BROWN. Thank you, Mr. Chairman.

Let me just say that if you get on a train in downtown Paris, you can go from downtown Paris to downtown Brussels, 200 miles, in 1 hour and 15 minutes. I mean, that is the world. Our competitors, like China, invest $350 billion in rail. And we are fighting about—well, let me just read the staff notes. The Northeast region essentially equates to the United Kingdom. It is worth noting that the UK spends billions more than the U.S. invests in the entire Nation. In fact, they spend $6.6 billion annually in maintenance and improvements.

So, you know, I just feel like we need to get serious about rail like we are definitely serious about highways in the United States and airports and think outside the box. First of all, how can we harden the system so that we can protect the passengers from attack from the outside, whether it is a natural attack or whether it is from someone that is trying to infiltrate the system. I mean, we need to think how we can move the Northeast Corridor. And we all support that, and I support high speed or more speed in the Northeast Corridor.

When you think about what can we do, maybe it is a one-stop permitting process. You know, we say design/build, but there are other factors that increase how long it takes to develop a project. So if you want to respond to that.

Mr. YARO. Well, I started out by talking about Claiborne Pell's vision for the Northeast as the world's first high-speed rail system. There are now 14 of these systems operating around the world, 12 more being planned. All of our competitors are making these investments, and it is high speed and it is intercity rail and higher speed services. But the notion is creating balanced transportation systems so that you have got modes that get people where they need to get in the most efficient way possible. That is really what we are talking about here in the Northeast, and I think nationally that is what we need to be thinking about.

You know, you opened up, Chairman Shuster, your comments about the growth in the population of this country. We have an enormous opportunity here to create new capacity in the economy of this country. It is something that the Europeans and the Japanese and the Chinese do not have where they have got stable or declining populations. We have got an increasing population. You know, there is another committee somewhere that is talking about what we need to do to educate people and do all that sort of thing.

What we are talking about here is creating the physical infrastructure that is needed to make this economy in this century what it was in the last century, the most efficient place to move people and goods in the world, so that we can create an economy—you know, we have got a $15 trillion economy by midcentury. We ought to be looking at a $45 trillion or a $50 trillion economy, creating the capacity for that economy to occur. That is how you finance these improvements, and that is what the rest of the world is doing, is making those investments, creating new productive capacity. And then that creates the tax revenues and the private sector activity that you can use to support both public and private investments in these infrastructure systems.

But what we have learned all over the world is that public money has to prime the pump, and once you have done that, then it is possible to attract the private investment. It is possible to create the ridership that you can use then to finance both public and private investments, repay private loans and public investments.

Ms. BROWN. If each one of you could give us a recommendation as to what this committee needs to do, what would be your number one priority?

Mr. YARO. Well, I think you heard it from all of us. First, let us invest in knocking off the backlog in state of good repair improvements in the Northeast Corridor. That is about $6 billion.

We have got this project here in New York and New Jersey, the Gateway Tunnel project under the Hudson. It is the biggest single bottleneck in the corridor. There is another one across the street here at Penn Station that is part of this whole thing. If we can fix those two things, we can uncork the capacity of the whole Northeast Corridor, dramatically improve the reliability, frequency, capacity of the corridor and so forth. There are a set of investments that we have outlined that add up to about $39 billion. That actually came out of the Corridor Commission—the list, and a very

carefully vetted list of priority projects that essentially kind of unleash the potential of this system, again, to underpin the kind of expanded economic activity that we are all talking about here.

In my testimony, you will see the list of projects. It is the same list of projects that the Northeast Corridor Commission has come up with. It is in the Amtrak master plan and so forth. We all agree on what needs to be done here. It will require an upfront Federal investment to make it happen. I think if we do that, you know, we have got to incentive the States to come forward and to do their share and so forth. I think there is the potential for riders to pay more, particularly the commuter rail passengers who want reliability—you have all said it—reliability, frequency, as much as travel time savings.

Mr. DENHAM. Thank you.

Mr. Shuster?

Mr. SHUSTER. Thank you.

First of all, I just want to remind my good friend from Florida that in Europe where they are making these investments, they use a cost-benefit analysis and it is brutal. If it does not make sense, they do not do it, and if they are going to do it for Brussels or for Berlin, they are going to make that city put forth a good chunk of the money.

And the other thing is in China my understanding is if you bring a lawsuit in China, you show up with your attorney, they show up with a bulldozer. In essence, you are going to get crushed if you do not get out of the way.

So we have very different systems.

Again, as I mentioned earlier, passenger rail in Europe, there are going to be at least two competing lines or two competing operations on every line.

So we have not learned with Europe still and we ought to take up some of those cost-benefit analyses, put competition in. You know, the States own these operations to a great extent and they are more capitalistic than we are. They are trying to be more free enterprise-driven than we are. So we need to look at that.

Mr. Boardman, what is a bigger priority for Amtrak? The Northeast Corridor or the long-distance lines, long-distance services?

Mr. BOARDMAN. The long-distance services.

Mr. SHUSTER. Why would they be the priority?

Mr. BOARDMAN. Because you would not have expected that answer, Chairman.

[Laughter.]

Mr. BOARDMAN. And I say that partly in humor, but I think that where the core of this company came from and the reason it was created in 1971 was to relieve what are now the freight railroads from a money-losing passenger operation.

This Nation needs to be tied together on the surface of the United States from coast to coast, border to border. We feed a half a million riders a year into the Northeast Corridor. The Northeast Corridor is an extremely important asset, and I sat in Joan's seat in the past and understand the necessity here to make sure that this is a high priority. It is a struggle.

And let me go back to something. And I did not answer the question, and I will answer the question of high-speed rail in California.

And that is, your folks are in a very difficult position trying to figure out how to balance the funding in the United States for all the things that need to be done. And I appreciate that and understand that, and I appreciate the thoughtfulness in how you are trying to deal with this.

It is not just high-speed rail in California. It is the next generation of air traffic control. It is what you are doing with the water system. It is how do we maintain the Interstate Highway System. And the battles that occurred—and I was there for some of them. I am getting old now—of how we actually got some of the interstate highways funded, just like Interstate 88 and how your dad handled route 15, which was never really identified the way it needed to be to make improvements.

But what we found in the end, as we got to the end of that, is that every one of those were important to the local communities or at least some segment of the local community and to the economy where it was actually invested in. And so for that reason, I support high-speed rail in California and I also support the high speed, to the extent they can get it, in Michigan and Illinois and in Texas and even in Florida if it happens.

Mr. SHUSTER. But the reality of the world today—as you mentioned, we are struggling with financing. And as the head of the organization, it seems to me your biggest priority has to be that which makes you money to help us to go forward towards reforms, to help us be able to sell to our colleagues these reforms are in place. They are going to focus on them. They are going to make money and not eliminate, not stop forever, but maybe look at suspending some of these routes and saying, OK, we have got to turn the ship right. We have got to make sure we are focusing on the right things and move forward on the Northeast Corridor, making sure it is right, to provide those revenues, to help us then move out. And I believe if you get the 10 or 12 corridors right in this country, organically it will grow back to—continue to connect and be on the ground because we are connected on the ground from highways, parts of it in rail. But again, we have got to put the reforms in place if we are ever going to get to where you want to get, where I want to get, where all of want to get. We have got to do it in a measured way and a step-by-step way. And I think again focusing on where your profits are to me should be the priority.

The other thing—you and I have had this conversation—the pricing that Amtrak does. On the Harrisburg to Philadelphia line—I have said this over and over—they do not charge enough. And look, nobody wants to pay more but at the end of the day, if you are getting value for it, you will pay more. For me to go from Harrisburg to Philadelphia, $29—I will pay more than that.

I just sent my son from Harrisburg to New York City roundtrip, 108 bucks. I mean, I was fully expecting to pay $200 because when I do the calculation of car, tolls, gas, headache, and traffic, $108, really the value is much more than that.

And I am going to continue to talk about this, not only the State of Pennsylvania that determines what the price of a ticket is from Harrisburg to Philadelphia, but also the Northeast Corridor. We need to look at this pricing and value.

Thank you, Mr. Chairman, for keeping me under control.

Mr. BOARDMAN. Thank you.

Mr. DENHAM. Thank you.

Mr. Nadler?

Mr. NADLER. Thank you.

We have largely been agreeing on everything today, and I am going to change that now. The chairman of the full committee just said we have to look at the reality of the world. We are struggling for funding. We are, indeed, struggling for funding, but that is entirely a political construct. The fact of the matter is we are spending on infrastructure a fraction of what we should be spending. We are sitting here talking about tough choices within a very limited framework and a framework that is limited in developing the economic potential of the country and that is going to help destroy our competitiveness with foreign countries.

We can borrow money at negative interest rates right now. Negative interest rates. People are paying us to take their money. We ought to be borrowing a lot of money and spending it on infrastructure. We ought to be tripling and quadrupling and quintupling our investments here and spread our horizons.

Thirty to forty years ago, we were spending about 3 3.5 percent of GDP on infrastructure. Now we are spending under 1 percent on infrastructure. China is spending 9 percent on infrastructure. And guess who is going to have a more efficient, competitive economy 20 years from now.

So, yes, for the moment until probably another couple of elections, we are in a rather foolish economic world in which we are not investing the money we ought to be investing—and I say "investing." That is "funding"—but investing the money that we ought to be investing in infrastructure. We ought to be doing the entire cost of high-speed rail in the Northeast Corridor, bringing the corridor up to snuff, and investing in high-speed rail and doing it in California and having a national system so that we can develop the economy of the country for its increasing population and for staying competitive with the Chinas of the world that we are not going to be competitive with if they keep investing 9 percent of GDP in infrastructure and we are investing under 1 percent of GDP. We cannot maintain the systems we have.

Reference was made that in the 20th century or the early part of the 20th century, we had plenty of money. We were investing in infrastructure. Now we do not. Why did we have plenty of money? Simply because we had a positive feedback loop. We invested and the economy grew. We invested. Now we are going into a negative feedback loop. We are not investing. The economy is not growing nearly as fast.

So we have to discuss much of what we have been spending our time discussing, namely how to prioritize within a very narrow, short-sighted economic vision. But we also ought to be discussing how to get out of that very narrow, short-signed economic vision and eliminate this nonsense with austerity and these budget cuts and start really investing again.

Having said all that, let me ask Mr. Yaro. What is your view on developing a transportation trust fund or an infrastructure bank to provide dedicated funding from the Federal Government for Am-

trak, for development of high-speed intercity passenger rail? How would that impact private investment?

Mr. YARO. Well, I think we should do that, and I think——

Mr. NADLER. And how we fund such an infrastructure bank?

Mr. YARO. Well, as I said earlier, you know, I have been a skeptic on P3s simply because, you know, it is actually cheaper to do tax exempt bonds and to finance projects that way. Private investors will want a return on their investment. They will be looking for 4, 5, at least 6 percent from pension funds, higher than that from other investors.

But I am coming around to the idea—Felix Roland has been very helpful to me on this—is that even though it would cost more, if that is what it takes to develop the political will to move ahead with a——

Mr. NADLER. In other words, that extra cost is the price we pay for lack of proper political will?

Mr. YARO. Well, you know, going back to your earlier statement, most of the infrastructure that we built in the 19th and 20th century was built with private investments. The Federal Government primed the pump. The Federal Government provided—usually in the West it was land grants. In your part of the country, it was land grants to get the railroads to make those investments, the Southern Pacific, Union Pacific, and the rest of them, and so forth. But in other parts of the country, we had other Federal incentives. It was mostly European investors who put money into, first, canals and then into railroads and so forth.

And I think we can do that again and attract the kind of capital that you are talking about here. I understand that it is going to cost a little more to do it that way, but if that what it takes to make these investments, you get it all back if you create new, productive capacity and if we create the kind of economic growth that the country should have and that we need to provide to our kids. It more than makes up for the difference, I think, in the additional cost of capital.

So one way or another, let us find the political will to make these investments. So I have come around to the notion that if we need to do P3s to build bipartisan support for making these investments, by God, let us go ahead and do it.

Mr. DENHAM. Thank you.

Well, Mr. Nadler is correct. We do have a disagreement on this one. I agreed with the President 5 years ago when he said a $9 trillion debt is un-American. Now we are double that. We have not had a budget in 5 years now. We have some big challenges ahead of us.

But I think where we all agree is finding a dedicated funding stream to make sure that these ongoing projects happen every year so that we do not have this huge backlog like we have today where we are not only prioritizing projects but we are really in a situation where our bridges across the Nation—some of them are falling apart. And rail—we have got some very, very outdated rail that could leave us with safety concerns as well. And so we have got to have that dedicated revenue stream. We are looking at that with the highway bill, you know, evaluating the Highway Trust Fund and how you create greater revenues to be able to fully fulfill that.

We need to do the same thing on rail. We need to put the cost controls in to make sure that the projects happen not only on time but on budget, and then ultimately we have got to figure out how we are going to come up with this money so that we can continue to not only improve infrastructure but really build high-speed rail and do it in a right way where we have got these public-private partnerships.

While we are talking about the contracts and making sure that these are happening, Mr. Boardman, have you seen the Tutor Perini contract? I am sorry. The California high-speed rail initial segment funding contract.

Mr. BOARDMAN. I have not see the contract, no.

Mr. DENHAM. When you put together a contract on a new asset improvement, when you do a contract with a public-private partnership or even a contract with a builder if you are doing a design/build, do you not have the cost controls in place to make sure that it happens on time? If it does not happen on time, there are penalties, as well as making sure that there is a guarantee so that there are not a bunch of add-ons at the end.

Mr. BOARDMAN. We generally have that, yes.

Mr. DENHAM. Thank you. We could not get an answer on that last week on the California high-speed rail issue. So the contracting left me concerned about this first phase getting done on time and on budget.

Ms. McDonald, as the former chairwoman of the Northeast Corridor Commission, what are some of the concerns that States have when being asked to invest their own funds in Amtrak infrastructure?

Ms. MCDONALD. You know, I think as we have been talking this morning, first and foremost the collaboration between the States and DC is better than it has ever been.

Second of all——

Mr. DENHAM. We appreciate that.

Ms. MCDONALD. Thank you and we appreciate your support along those lines as well.

You know, I think the point that you just highlighted with Joe is different States have different procurement policies, and it is really making sure that the dialogue is with Amtrak to make sure that we are using the best procurement method available to us. And when I say "us," it is "us" collectively. And the hurdle of getting the work done, while not only Amtrak is operating trains but Metro North is operating trains, New Jersey Transit, MARC, everybody is operating trains, the windows to get the work done are very tight, and it is working through some of those to make sure we get the work done.

Mr. DENHAM. And what are some of the steps that you take or have taken to mitigate those concerns?

Ms. MCDONALD. Well, what we have done with Amtrak and with CSX on the Hudson Line, which is our equivalent of the Pennsylvania line, is we have several agreements and they are operating agreements, capital agreements. We have in place for that line a capital construction committee which consists of New York State DOT, Amtrak, and CSX. And we do prioritize and we very closely track how the projects are progressing and where the potential cost

overruns could be and what are the risk mitigation measures that we can put in place.

Mr. DENHAM. Thank you.

Ms. Brown?

Ms. BROWN. Thank you, Mr. Chairman.

The last time I was in a similar hearing, Mayor Bloomberg was here and former Pennsylvania Governor Ed Rendell was here. And the discussion was the same. You were here at that meeting.

Let us just be clear. Without long distance, Amtrak would be a commuter rail. There would be no connectivity between the east coast and the west coast. And currently four States have no passenger rail service. Without long distance, 23 States, 4 million people will be without any service whatsoever. We are talking about air, passenger, bus service, air, or rail. So I mean, to discuss that we want to do away with long-distance service is like saying that we want to do away with, you know, the mail system.

I mean, basically we have a lot of people that are not thinking forward. And transportation used to be the engine that put American people to work. We have not had a WRDA bill in 7 years. That is the bill that funds the ports and the Coast Guard. So, I mean, we are really—for the first time, I feel that we are beginning to move forward on some of the transportation issues that would actually put the American people to work. Sadly, for the first time, I have found people that I do not think believe in putting the American people to work. They are just very backward. No one here, I am sure.

But I would like to know what will your recommendations be for the Passenger Rail Investment and Improvement Act, starting with Mr. Boardman.

Mr. BOARDMAN. For the reauthorization of the act?

Ms. BROWN. Yes, yes. What would be your recommendation?

Mr. BOARDMAN. We need funding to maintain our railroad, and we need it on a multiyear basis.

Ms. BROWN. Dedicated funding.

Mr. BOARDMAN. Yes.

Ms. BROWN. All right.

Mr. Fry?

Mr. FRY. I would second that. I am not deep into this, but I think the way Joe has articulated all this in terms of first things first, I would support his position as well.

Ms. BROWN. Ms. McDonald?

Ms. MCDONALD. I would agree. And as I mentioned earlier, when I said that New York State has invested over a 30-year period $22 billion in its commuter railroads, one of the issues that we are grappling with on the commission is how do we deal with States that have made prior investments and kept their state of good repair up to date and Amtrak has not. Is there a credit for that? Is there not a credit for that?

So to answer your question and also to answer your question, Congressman Denham, the States have stepped up to the plate and we believe that the Federal Government and Amtrak also need to step up to the plate to make those deferred capital investments so that we can move forward and create jobs.

Ms. BROWN. What about those 53 miles—that I think go through New York—that if we could speed those up, that would improve the system?

Mr. BOARDMAN. Connecticut.

Ms. MCDONALD. Connecticut.

Ms. BROWN. That is not you?

Mr. BOARDMAN. It is mostly Connecticut.

Ms. MCDONALD. It is mostly Connecticut, yes.

Ms. BROWN. Yes, sir, Mr. Yaro?

Mr. YARO. It is owned by Connecticut DOT.

I guess I would add a couple of things. First, the notion of getting dedicated funding, getting Amtrak into a trust fund type of arrangement the way the rest of the system operates.

Then I think there is an opportunity to here to be thinking about—I will call it high-speed rail version 2.0 where strategic investments in the Northeast, I think in California finding the right place for the Federal Government to invest in the California system, and then a series of others, Florida. There is a new generation of projects at All Aboard Florida in Florida which is going to require grade separations, some right-of-way acquisition to get to Orlando. The Dallas to Houston project, the same thing. There is a public role in getting—even though it is mostly private investment, there is public money that is required for grade separations and other investments. The same thing in the Midwest in Chicago to Milwaukee and on to Minneapolis and so forth, Desert Express.

So I think there is an opportunity here for the committee to think about what an effective intercity and high-speed rail program could be across the entire country. Obviously, we are partisan about the Northeast and this is probably the greatest need right here in the Northeast just to make the investments that we have been talking about here today. But there are projects around the country, in fact, that make sense. In fact, there are opportunities for P3s in all of them.

Thank you.

Ms. BROWN. Florida would have been number one in high speed in the country if we had not—first of all, if we had not started with Jeb Bush sending the first money back and then with this present Governor, sending $3 billion back that the legislature had voted for, the taxpayers had voted for. When I went to Utah, they are riding with our money, and of course, you all are enjoying it here.

Mr. YARO. We appreciate your contribution.

Ms. BROWN. Yes, I know it. I know it. Yes, sir.

Mr. DENHAM. Mr. Nadler?

Mr. NADLER. Thank you.

Let me ask the following question. Mr. Boardman first. Let us talk about the infrastructure bank. There is also the transportation trust fund that has been suggested. I am not sure what the difference is. Do you support the infrastructure bank proposal? How big should it be? The President proposed I think $60 billion at one point. And how should it be funded?

Mr. BOARDMAN. Well, I got to tell you I am the worst guy in the world to be up here talking about what the policies ought to be for how we raise the funds and what we need to do. That is not my shtick.

But I've got to tell you that we need the money. We need it on a multiyear basis. And I think that is what we appeal to you to make a decision for.

Mr. NADLER. I will ask the other members of the panel in a moment the same question, but let me ask you a specific question.

In 1981, I think it was, the State legislature in New York passed something called "contract bonds," in which we floated $800 million—which the MTA floated $800 million of bonds against a promise by the legislature to appropriate funding for debt service for the next 30 years. Is that a concept that you think would work on the Federal level?

Mr. BOARDMAN. I honestly do not know.

Mr. NADLER. Commissioner McDonald, for both the questions.

Ms. MCDONALD. You know, I do think there needs to be a dedicated transportation fund/infrastructure bank. Part of what we have all gotten used to is pay as you go. We get the money and then we spend it on projects. The TIFIA loan program, the RRIF program allow us to look at it differently, and I think future Federal dollars should be allowable to pay back a RRIF or a TIF regardless of which mode you are in. I think every revenue option should be on the table.

Congresswoman Brown mentioned Governor Rendell. And Monday or Tuesday morning on "Morning Joe," there was a big discussion about the offshore assets of U.S. companies, and he said, you know, you change the Federal corporate tax code and then you get some of those offshore assets back and you put them into the infrastructure bank. And I think that would be worth exploring.

Mr. NADLER. Let me just say that I am vehemently opposed to that proposal.

Ms. MCDONALD. OK.

Mr. NADLER. Because we should not be bribing our companies to pay their taxes. We should mandate that they do so and at their regular rate, not at 5 percent or whatever because they will just not pay their taxes for the next 20 years expecting another amnesty like that. There have got to be better ways of funding an infrastructure bank.

Ms. MCDONALD. He was not talking about an amnesty. He was talking about a permanent change to the tax code.

Mr. NADLER. Even worse. Go ahead.

Ms. MCDONALD. But that is one example that needs—but here we have a difference of opinion, and we are generally on the same page on some of these things. But it is looking at every revenue option to put into the bank and into the trust fund.

Mr. NADLER. How big should an infrastructure bank be, order of magnitude?

Ms. MCDONALD. Back when President Obama proposed the ARRA program and I was in Connecticut, Dick Levin, who was the president of Yale, said that we needed to put over $100 billion into infrastructure investment, which is transportation, water waste, water utility. There is a huge need.

Mr. NADLER. Mr. Yaro?

Mr. YARO. I would just connect the dots between the different questions here. One is that PRIIA required that the Federal Railroad Administration complete a national rail plan. There was a

draft plan. They never finalized it. And I will not comment on why it was not finished, but it has not been finished.

You know, what the Congress needs I think and what the country needs is an agreed upon vision for the systems of investments that we need to make in roads and rails, aviation, waterways, and so forth. We are all talking about a set of depreciating assets at the moment that will not sustain our standard of living, our competitiveness in coming decades. So let us see if we can agree on a plan—sorry, on a plan—on a map and so forth that shows where these improvements need to be and so forth. Then I think we need to tote up what it is going to cost, and then we need to find the political will, both public and private investments. States need to participate. The Federal Government needs to incentivize the States to participate and to invest in these things, as it always has.

This is as old as the republic. You know, George Washington insisted on getting the Interstate Commerce Clause in the Constitution because before he became President, he put together the C&O Canal, could not get the States of Maryland and Virginia to cooperate, insisted that the Federal Government play a role in incentivizing, planning, leading on infrastructure investments. I think that is what is needed, and I think it would be a wonderful thing, in fact, if this committee could come forward with that kind of approach.

Mr. DENHAM. Thank you.

Ms. Brown?

Ms. BROWN. Just the last thing. If you think about it, we have in WRDA the money there, but it is just sitting there and they just let it sit there and look at the deficit as opposed to using it.

So one of the things, as we develop some infrastructure bank, we have got to make sure that we use it for the purpose we are talking about. It should be a direct user fee and some way to get it out in the system because we have billions of dollars in the harbor maintenance tax that we have collected, but we are not using it for that purpose. So it is not just setting up the funds, but we need a system that distributes the funds.

And just like the—what is the fund? You know, we have the authority, but it just sits there, and we are not using it. RRIF, RRIF. It just sits there. It has $35 billion that we have the authority to use, and I do not think we have used $1 billion.

And so I yield back the balance of my time.

But thank you all so much for your presentations. We all know the problem. How can we work together to move the issue forward. Thank you again.

Mr. DENHAM. Again, thank you, each of you, for your testimony. This has been a very educational trip. Coming from California, I do not always get a chance to come up to the Northeast Corridor and certainly do not get the opportunity to really see some of the challenges that you have to deal with every day from the S-turns to the horseshoe turns and a lot of the upgrades that need to happen.

And we are committed as a committee not only to getting the passenger reauthorization bill done but to working with you to address all of these challenges. And that is going to be a commitment that we are going to have to share with the States, as well as pub-

lic-private partnerships, as we look at rail across the Nation. We need those public-private partnerships. If you are going to have an economic benefit by establishing businesses around a stop, then we want the private companies to be able to come in and help us with that as well, as well as the States. And we are only going to be able to get this plan if we not only work together, but also manage it together so we do not have cost overruns, so we do not have time delays, and we have good contracts negotiated.

So we certainly want to work with you on all of that. We are looking forward to improving not only rail, but we are looking at the future vision of high-speed rail. But we have got to do it right, and we are committed to working together to make that happen.

So, again, thank you for your testimony today.

If there are no further 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 any questions that may be 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 the record of today's hearing. Without objection, so ordered.

Mr. DENHAM. I would like to thank our witnesses again today for their testimony.

And if no other Members have anything to add, the committee stands adjourned.

[Whereupon, at 11:27 a.m., the subcommittee was adjourned.]

John A. Fry, President, Drexel University, Philadelphia
Written Testimony for NYC Field Hearing: The Importance of the Northeast Corridor
House Committee on Transportation and Infrastructure, Subcommittee on Railroads

Good morning. My name is John Fry, and I am the president of Drexel University, located in Philadelphia's University City neighborhood, directly adjacent to Amtrak's 30th Street Station on the Northeast Corridor.

Previously I was executive vice president at the University of Pennsylvania in the same neighborhood. While I was there, I was also founding chair of the University City District, a business improvement district located in the midst of one of the richest intellectual ecosystems in the nation.

In the intervening years, I was president of Franklin & Marshall College in Lancaster, Pa. During my tenure, Franklin & Marshall was the lead partner in the Northwest Gateway Project, a 75 million dollar, 75 acre brownfield transformation of industrial and railroad sites for educational, medical and corporate use, which included working closely with the Norfolk Southern railroad to completely relocate a freight rail yard.

I give you this background only to establish that I have experience, and a deep interest, in how urban economic development and transportation intersect. And I want to thank you for inviting me to testify on the enormous importance of the Northeast Corridor. My testimony will focus on the incredible development potential in the built and raw land assets existing today around the Corridor's major urban rail stations and facilities.

The Northeast Corridor stretches along the 450 miles from Washington to Boston, plus about the same number of miles along three branch lines. Amtrak alone carried a record 11.4 million passengers on the Corridor in 2012. Most critically, the Northeast Corridor passes through a series of major rail stations in the heart of our urban centers. The top five stations on the Corridor by annual ridership (passengers on and off) are:

New York Penn Station, 9,493,414
Washington Union Station, 5,013,991
Philadelphia 30th Street Station, 4,068,540
Boston, 1,447,501
Baltimore Penn Station, 1,028,909

New York, Washington and Philadelphia are the three busiest stations in the nation. In fact, seven of the top ten stations in America are on the Northeast Corridor. Some 17 percent of the nation's population lives in the Northeast and is served by Corridor. The region produces 20 percent of the U.S. GDP, and is expected to grow by 15 million residents in the next quarter century.

It's fair to say that this is the epicenter of American rail travel. It's also the epicenter of sustained urban living in the nation, and there's no coincidence there.

Today we are witnessing the rebirth of our urban cores, something that seemed impossible for a number of decades. There are a number of demographic and social trends underlying this transformation.

First, the millennial generation—which stretches roughly from today's 30-year-olds, through the students we're educating now at Drexel and other universities, down through today's middle schoolers—is showing a strong preference to work, live and socialize in urban versus suburban or rural environments. If it's urban, it's hot, including schools, employers and entertainment. Some of the anecdotal evidence for this includes the growing preference for urban colleges and universities, the subjects of popular culture and, surprisingly, a delay in securing drivers' licenses and purchasing cars from adolescent years to young adulthood.

Second, aging baby boomers whose children are grown are downsizing to cities for convenience, for culture and for the overall social environment of city life. These two demographic trends are creating new demand for products and services in cities, and in turn, opportunities for both commercial and residential real estate development. Employers must now consider whether to relocate office pods or entire corporate centers from the suburbs to the cities in order to access young talent and retain their senior personnel, and retail and service firms recognize that they must have significant urban offerings.

These shifts are coming at a time when our highway system and major airports near urban centers are stretching beyond their capacity, and essentially are unable to expand service. Most would agree that building a new major highway or airport in the Northeast region is not an attractive or even a viable option.

Fortunately, the Northeast Corridor rail service is a largely untapped asset that can be leveraged to provide enhanced transportation capacity, and to take advantage of these societal and infrastructure trends. There is no other transportation system that runs through the heart

of the largest concentration of American population and yet can produce considerable returns with relatively simple and reasonable investment.

The potential of this asset, and in particular our urban rail hubs, extends beyond improved transportation infrastructure, to commercial and residential development and long-term economic growth. That's prompting some really interesting ideas about how to tap into these opportunities.

Each community with a major rail facility has unique characteristics that can propel the best-fit development for the local and regional economy. Here in New York at Hudson Yards, it's a 14-acre mixed-use project on or near the river, providing the opportunity to create an entirely new neighborhood—modern, livable and sustainable—in one of the world's densest and most vibrant and popular cities, over a rail yard. Back in Philadelphia, we're capitalizing on our outstanding higher education and healthcare concentration to spark the development of another great transit-oriented neighborhood, which I'll describe in a moment. And similar opportunities exist throughout the Northeast Corridor.

Amtrak, to its great credit, is undertaking a series of studies to envision the future of their stations, including how they complement the fabric of the mostly urban neighborhoods in which they sit. What has become the flagship study, so to speak, is the master plan completed last year for Union Station study in Washington D.C. with which many of you are familiar. There are similar initiatives underway in Baltimore; in Boston; here in New York City, of course, with Hudson Yards; and in Philadelphia, where Amtrak has undertaken a master planning process. In fact, at Drexel University we're proud to be their lead partner in the effort.

The development opportunities that exist along the Northeast Corridor can be a big boon to Amtrak and the eight commuter operators that share the tracks, and by extension to the taxpayers who fund their budgets. The value that Amtrak and governmental owners can create by jointly developing air rights and adjacent parcels and creating improved station experiences is very significant. Let me say plainly that if each station inspires a compelling and strategic vision, it will drive urban development and create financial resources for Amtrak and local, state and federal governments to reinvest in Corridor operations. This can improve the level of service and the overall experience of the growing urban population.

Those opportunities sometimes seem out of reach because of the limited financial resources available to Amtrak, the other rail operators and federal and state governments. The solution to unlocking significant economic value for these entities is public-private partnerships, not just

with corporate partners but with anchor urban institutions, particularly research universities and healthcare systems.

That's the model inspiring Drexel's partnership with Amtrak and other stakeholders in Philadelphia. I'd like to describe our efforts briefly, just as an example of some of the forces that are driving transit-oriented urban development projects.

Bridging the blocks between Drexel's University City Campus and 30th Street Station, Drexel has acquired and is planning extensive development on more than 12 acres of poorly utilized land. The station at 30th Street is the nation's third busiest, serving more than four million passengers each year. But for years, a few buildings of various uses—a printing plant, Philadelphia's parking authority, government archives, offices, eventually some Drexel programs—shared these parcels of land with an expanse of parking lots.

I sometimes say we're fortunate to have this land, but it's as much foresight as it is fortune. Even in the years when commercial interest lagged and the value of rail transit was not part of the public conversation, it was clear that these were incredibly important parcels, and previous administrations and mine have diligently assembled them, at considerable cost to Drexel.

Now, with economic and demographic trends looking favorably and on urban growth, and with our institution in a position to anchor a major new development, we've undertaken a mixed-use, live/learn/work development known as Drexel's Innovation Neighborhood. The Innovation Neighborhood is the cornerstone of the comprehensive Campus Master Plan we developed in 2012, and we are building it around several core principles.

The first principle is to co-locate Drexel's growing enterprise of translational research with corporate partners who can help realize the commercial and quality-of-life impact of that research. Our University has developed real strength in translational, or "use-inspired," research, which is aimed at meeting real-world challenges with market-ready solutions and technologies, on a timeframe that's significantly shorter than traditional basic research. This type of research thrives when commercial partners are deeply involved, with an eye to licensing or entrepreneurship. We're in discussion with a number of partners to join us as tenants in the Innovation Neighborhood. Looking ahead several years, we don't think it's a stretch to have an environment as conducive to groundbreaking research and high-tech business and jobs as Cambridge, Research Triangle Park or Silicon Valley.

The second core principle of the Innovation Neighborhood is to integrate development with the academic and campus life of the University. For example, Drexel is world renowned for our co-

operative education program, where we partner with businesses regionally and worldwide to place our students in full-time, paid professional experiences integrated with their classroom learning. We're developing a Customizable Drexel Co-op for Innovation Neighborhood tenants in which they can design a student co-op position and set curricular requirements for that position so that they get the best-fit employee, not just for the term of the co-op but potentially for a full-time job postgraduation.

The third core principle is to take advantage of the proximity of America's greatest transportation asset, the Northeast Corridor. In truth, this is one of the foundations for the project. Imagine the impact for businesses, or for the global academic partners we expect to locate their American base here, of being literally at the nerve center of the Eastern Seaboard, midway between the financial and government centers of the nation (and potentially less than an hour from each when true high-speed rail becomes a reality). Then, imagine the impact for Philadelphia when visitors arrive at the city's most convenient transportation hub and disembark right into a brand-new neighborhood dedicated to learning, to innovation and to entrepreneurship.

We're excited to begin this project, and we expect to make a major impact with the real estate we own. But the true transformational opportunity around 30th Street is the air rights over the old Penn Coach Yards, now owned by Amtrak and SEPTA, the regional rail operator. This site alone includes more than 100 acres. It's Philadelphia's own Hudson Yards, from the waterfront location on the Schuylkill River to the opportunity to knit together amazing and diverse neighborhoods, including the magnificent Parkway, home to the Philadelphia Museum of Art, the Barnes Foundation, the Franklin Institute and the Academy of Natural Sciences, which recently became a subsidiary of Drexel University.

The air rights will be one of the key dimensions of the master planning process Amtrak will undertake with Drexel, the city, the Pennsylvania Department of Transportation and a host of other stakeholders. This, of course, is a project measured in decades rather than years. But the time is right to start the work, and begin similar conversations that can happen, and in fact are happening, all along the Northeast Corridor.

The Innovation Neighborhood is how our University, and our city, has responded to the opportunity for urban renewal presented by rail transportation. There are similar, yet unique, opportunities in every hub on the corridor. Whether it's in Philadelphia, Washington, Boston or Baltimore or even Lancaster, these ideas represent a bold new vision for our urban cores. And the wider the range of partners involved, the better—from rail operators to real estate developers, to business and retail owners, to regional economic development groups and local,

state and federal governments, to anchor community institutions including universities, hospitals, museums and more.

We are witnessing the rebirth of transportation-oriented development in this nation, not to create demand but to meet the new urban demand with existing assets. I know we're entering a new era where urban train stations are once again a centerpiece not only of travel but of commerce and learning. These stations have great existing value, which we must unleash to create funds to invest in a reliable, comfortable and affordable rail system serving the 17 percent of Americans who live on the Northeast Corridor.

Let us not fail to utilize our assets to the fullest. Let us be seen as the generation that rebirthed the rail system for the next 150 years.

Thank you.

Regional Plan Association

Northeast Corridor Now

Legislative Proposal & Infrastructure Program

Introduction

NEC Now is a legislative proposal for the reauthorization of the expiring federal rail legislation, the Passenger Rail Investment & Improvement Act of 2008 (PRIIA), that puts a new emphasis on the Northeast Corridor, North America's busiest and most complex rail corridor, situated in the dense and productive Northeast Megaregion, where 18% of the U.S. population lives and 20% of the nation's Gross Domestic Product is produced on only 2% of its land area.

The NEC Now **legislative proposal** charts a path forward for the Northeast Corridor. It proposes a new institutional and financing framework that would initiate and facilitate a comprehensive, corridor-wide overhaul. It calls for the creation of a new federal grant program, changes to the Railroad Rehabilitation & Improvement Financing (RRIF) program, and new governance structures for project selection, management and finance.

The NEC Now **infrastructure program** is a potential first-phase program of capital improvements that should be initiated and accelerated over the next six years, or prior to the expiration of the next federal rail bill. The program includes the corridor's highest-priority infrastructure needs, as well as the construction of an initial segment of high-speed rail that, along with the other projects in the NEC Now infrastructure program and new high-speed trainsets, would cut trip times between New York and Philadelphia to approximately 45 minutes.

NEC Now Legislative Proposal

Northeast Corridor improvements will be achieved through a partnership between the federal government, Amtrak, state governments and the private sector. New funding and institutional provisions in federal law are required to create the right financial tools and project delivery mechanism to achieve the NEC Now infrastructure program.

Funding and Financing

Over the course of the next federal rail bill, a new NEC Now grant program would make available funds for capital improvements on the corridor, which is over and above Amtrak's normal capital maintenance funding. The next federal rail bill should authorize $10 billion for the NEC Now grant program. The grants could be used for capital planning, engineering, design, procurement, construction and/or financing costs.

Credit support for projects in the NEC Now infrastructure program should come from the Railroad Rehabilitation & Improvement Financing program. The RRIF statute should be amended to allow for the federal NEC Now grant funds to be used to supply the credit risk subsidy for RRIF loans.

Project Selection & Cost Allocation

Projects eligible for NEC Now grant funding would be those identified by the Northeast Corridor Infrastructure & Operations Advisory Commission (NEC Commission) as critical rail infrastructure needs. Other projects could be selected by a new project delivery entity (see below). The costs associated with each project and the appropriate allocation of those costs to the stakeholders would be determined by the NEC Commission. Projects would be required to comply with all federal laws, regulations and other requirements.

Eligible Applicant

The release of NEC Now grants would require an application from a new corridor management entity. This new entity would include representation from the Northeast states, Amtrak and possibly others on its governing body. It would require adequate staffing and resources to deliver the NEC Now projects, and the authority to: apply for federal grants and loans; borrow against current or future potential revenue streams; enter into development agreements to buy real property; and to procure equipment and services from Amtrak and/or other partners. Project delivery would rely on Amtrak, private contractors, or design-build teams depending on the particulars of a given project.

NEC Now Infrastructure Program

Given the importance of the NEC to the national economy, the federal government should partner with Northeast states, metropolitan regions and cities to ensure that a comprehensive improvement program is undertaken over the course of the next federal rail bill.

The NEC Now infrastructure program includes $26.7 billion in high-priority, immediate infrastructure needs, which were identified as critical by the NEC Commission.[1] In addition, it also includes an investment of $4 billion to improve New York Penn Station and $9 billion to build a high-speed rail demonstration project, for a total of $39.7 billion.

1 NEC Commission. 2013. Critical Infrastructure Needs on the Northeast Corridor.

Northeast Corridor

The NEC has one of the most complex ownership and operating arrangements of any railway in the world. The 457-mile corridor runs through eight states and the District of Columbia, and its infrastructure is owned by Amtrak from Washington, D.C., to New Rochelle, NY; the states of New York and Connecticut from New Rochelle to New Haven, CT; Amtrak again from New Haven to the border between Rhode Island and Massachusetts; and the Commonwealth of Massachusetts from there north to Boston. Amtrak operates all intercity rail services, seven state agencies operate commuter rail services, and several companies operate freight trains on the NEC. More than 2,200 passenger trains and 70 freight trains use the corridor every day.

Over three quarters of a million people depend on the corridor daily. The NEC Infrastructure Master Plan projects that, by 2030, annual ridership would grow from 260 million to 412 million, or 59%, given the investments that are currently planned.[2] In addition, if Amtrak's Vision for High-Speed Rail in the NEC were implemented, by 2040, intercity rail ridership would increase from nearly 12 million to more than 40 million.[3] The increasing demand for NEC passenger rail service is largely driven by projections that the Northeast Megaregion will add nearly 20 million residents by the year 2050 and its $3 trillion economy will grow at about 2% annually. If investments in the NEC are not made now, however, all of that demand will be added to our already choked highways and airports.

However, Northeast airports are already at capacity. The Northeast is also home to four of the ten most congested highways in the nation. Our rail network has enormous untapped potential and RPA's research has shown that shifting travel to rail provides the greatest benefit in regions where road and air capacity is constrained.

The need for a major NEC improvement program is clear. A recent report by the NEC Commission identified more than $30 billion of projects that are critical.[4] Much of the NEC rail infrastructure was built over a century ago, and a backlog, totaling $9 billion, of deferred maintenance has accumulated. Furthermore, train congestion and antiquated infrastructure prevent increases in speed, frequency and reliability. For example, the New Haven Line, the busiest commuter corridor in the country from Manhattan to New Haven, CT runs along four moveable bridges on the Connecticut shoreline that have been exposed to the natural elements blowing in off the Long Island Sound for decades, and have reached the end of their useful life. One out of every ten times these aging lift or pivot bridges open for a boat to pass they do not close properly, causing disruptive train delays and even cancellations.[5]

In essence, the NEC faces a crisis of success. Robust and growing ridership has used up nearly all available capacity while further diminishing its infrastructure assets. The NEC cannot survive any longer by living off of legacy investments made by past generations. Without a new multiyear, multibillion-dollar federal funding program to fix its aging and broken assets and expand capacity, the Northeast Megaregion's growth will be capped and rail service will continue to deteriorate.

2 The NEC Master Plan Working Group. 2010. The Northeast Corridor Infrastructure Master Plan.

3 Amtrak. 2012. The Amtrak Vision for the Northeast Corridor.

4 NEC Commission. 2013. Critical Infrastructure Needs on the Northeast Corridor.

5 State of Connecticut. 2013. Connecticut State Rail Plan.

Institutional & Governance Issues

One of the biggest challenges facing the corridor is its complex structure of infrastructure management, operations and project delivery. Unlike the rest of the national rail network, Amtrak owns most of the corridor's track and related infrastructure, and operates on it along with eight commuter rail operators that have statutory access rights to use Amtrak-owned segments and three freight railroads that use the corridor for local and through freight services. However, the current governance structure does not balance the needs of these disparate users.

As both the owner and manager of most NEC infrastructure, as well as an operator, Amtrak has near complete control over access rights, capital planning, construction, capital and operating cost allocations, scheduling and dispatching. Until recently, the commuter rail agencies, the primary users of the NEC, have had no formal role in the management of the corridor, at least on Amtrak-owned segments. This situation has stifled the development of new rail services and new, innovative institutional arrangements for intensely shared areas. It has also reduced the states' incentive to contribute financially to needed corridor improvements beyond their own state's borders.

The current rail bill, PRIIA, mandated the creation of the NEC Commission, through which the nine jurisdictions served by the corridor could provide input to Amtrak and the Federal Railroad Administration. The Commission brings these nine parties together to confer on the design and administration of the corridor, future plans and goals, and developing a fair cost allocation formula for future projects, but does not fundamentally change the way NEC infrastructure is managed and rail services are operated.

The administration and operation of high-speed and intercity rail services in Europe offer an alternative approach. The European Union requires national railroads of its member countries to unbundle their train operations and infrastructure maintenance functions, and allow for open access on rail lines. Open access makes it possible for private train operators to offer competing services on the same rail lines.

In keeping with the European model, Amtrak recently created a new business division focused on infrastructure and investment in the NEC, and plans to create a second division focused on NEC operations. The infrastructure division is in charge of all funding, policy, and planning decisions related to improving the existing rail infrastructure and development of world-class, high-speed rail. The operations division will be in charge of making sure rail operations are fast, safe, reliable, convenient and environmentally sustainable, and advancing and eventually managing Amtrak's NEC operations. This will not ensure open access, but is a step in the right direction.

However, delivering the infrastructure projects that will allow for operators to provide a true high-speed rail service in the NEC would be a task far larger than anything Amtrak has ever undertaken, and the largest, most complex public-works project in the nation. A megaproject of this magnitude requires new capabilities, governance and management structures.

RPA recommends that the next federal rail bill authorize the creation of a new corridor management and project delivery structure with representation from the Northeast states and Amtrak, adequate staffing and resources, and the necessary authorities to deliver the NEC Now program.

Funding & Financing Issues

The NEC does not and will not require ongoing public subsidies for operations; however, it will require significant upfront capital investment. If the federal government follows the suggestions in this NEC Now proposal, it will lay the foundation for a federal rail program that does not place an undue burden on public funds. Once these deteriorating federal assets are upgraded, future phases could include substantial private investment.

Federal support for NEC projects could come from grants and loans. The loans could be repaid using Amtrak revenues in much the same way it is repaying a TIFIA loan for new locomotives. As one of the world's busiest corridors, there are enough trains and passengers on the NEC to generate the revenue necessary to repay the loans. For example, a surcharge of less than 10 cents per passenger mile on commuter and intercity rail tickets could support $10 billion of credit over 35 years.

The Railroad Rehabilitation & Improvement Financing Program is an existing federal loan program with enough remaining loan authority to pay for several major projects on the corridor. The RRIF program provides low-interest loans to public and private entities out of a $35 billion pool of revolving credit with $7 billion dedicated to freight projects. To date, less than $2 billion has been lent from the RRIF program.

RPA recommends that the next federal rail bill authorize $10 billion for grants for NEC projects and make changes to the RRIF statute to allow for federal grant funds to be used to supply the credit risk subsidy for the loans.

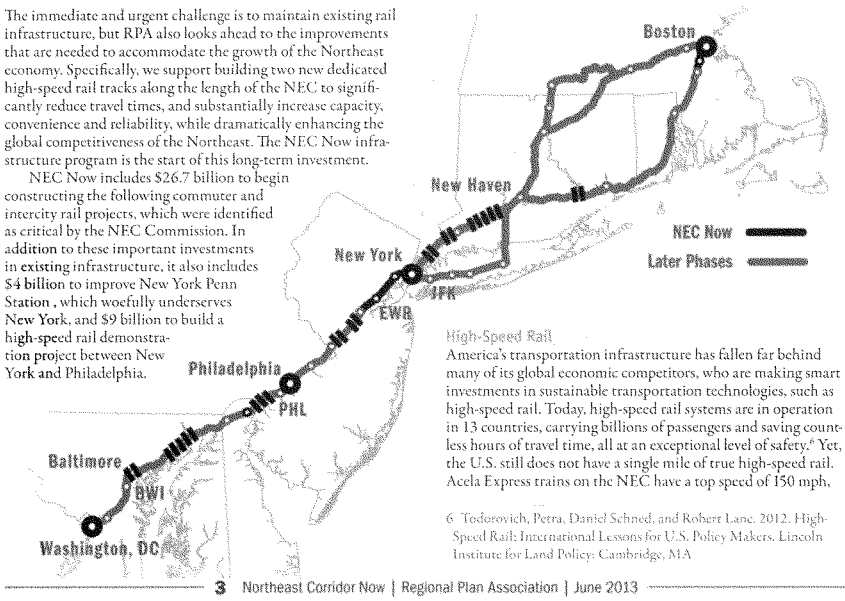
NEC Now Infrastructure Program

The immediate and urgent challenge is to maintain existing rail infrastructure, but RPA also looks ahead to the improvements that are needed to accommodate the growth of the Northeast economy. Specifically, we support building two new dedicated high-speed rail tracks along the length of the NEC to significantly reduce travel times, and substantially increase capacity, convenience and reliability, while dramatically enhancing the global competitiveness of the Northeast. The NEC Now infrastructure program is the start of this long-term investment.

NEC Now includes $26.7 billion to begin constructing the following commuter and intercity rail projects, which were identified as critical by the NEC Commission. In addition to these important investments in existing infrastructure, it also includes $4 billion to improve New York Penn Station , which woefully underserves New York, and $9 billion to build a high-speed rail demonstration project between New York and Philadelphia.

RPA recommends the following projects be initiated by 2020 and accelerated to return the corridor to a state of good repair, improve trip times and reliability by fixing the worst bottlenecks, upgrade train stations to provide world-class gateways and construct the initial segment of a Northeast high-speed rail between New York and Philadelphia that cuts trip times to roughly 45 minutes.

NEC NOW PROGRAM	COST (2013$)
Amtrak's Gateway Program (NY/NJ)	$15,000,000,000
Station Modernization Projects	
Boston South Station (MA)	$500,000,000
Philadelphia 30th Street Station (PA)	$500,000,000
Washington Union Station (DC)	$1,500,000,000
Bridge & Tunnel Work	
Connecticut Bridges (CT)	$1,600,000,000
Pelham Bay Bridge (NY)	$250,000,000
Maryland Bridges & Tunnels (MD)	$3,300,000,000
Other Track & System Work	
Massachusetts Third Track (MA)	$200,000,000
New Haven Line Improvements (CT)	$1,000,000,000
New York East Improvements (NY)	$1,000,000,000
New Jersey Improvements (NJ)	$1,400,000,000
Philadelphia Interlocking Flyover (PA)	$150,000,000
Delaware Track & Interlocking (DE)	$300,000,000
Longer-Term Projects	
New York Penn Station (NY)	$4,000,000,000
High-Speed Rail Demo Project (NJ)	$9,000,000,000
GRAND TOTAL	**$39,700,000,000**



High-Speed Rail

America's transportation infrastructure has fallen far behind many of its global economic competitors, who are making smart investments in sustainable transportation technologies, such as high-speed rail. Today, high-speed rail systems are in operation in 13 countries, carrying billions of passengers and saving countless hours of travel time, all at an exceptional level of safety.[6] Yet, the U.S. still does not have a single mile of true high-speed rail. Acela Express trains on the NEC have a top speed of 150 mph,

6 Todorovich, Petra, Daniel Schned, and Robert Lane. 2012. High-Speed Rail: International Lessons for U.S. Policy Makers. Lincoln Institute for Land Policy: Cambridge, MA

but average around 75 mph on mixed-use tracks shared with commuter and freight trains. The current international standard for new, dedicated high-speed rail lines is 220 miles per hour.

NEC Now High-Speed Rail Project

The NEC Now infrastructure program also includes a project that would demonstrate the benefits of world-class high-speed rail. RPA proposes that an initial segment of a true, high-speed rail system be constructed between New York and Philadelphia. Two new dedicated tracks would be built between Elizabeth and Edison, NJ, where congestion caused by heavy NJ Transit commuter rail traffic limits the potential improvement of trip times on this segment for hundreds of thousands of commuter and intercity rail travelers every day.

Trip times between New York and Philadelphia could be reduced to approximately 45 minutes once Amtrak's Gateway Program and New Jersey High-Speed Improvement Program are completed (see below), the NEC Now high-speed rail demonstration project and other NEC Now projects are built, and rolling stock on the corridor are upgraded to new, high-speed trainsets capable of reaching 220 miles per hour.

Amtrak's New Jersey High-Speed Improvement Program, between New Brunswick and Trenton, NJ, will allow trains along this 24-mile segment to reach top speeds of 160 mph and operate with greater frequency upon completion in 2017. In addition, Amtrak's Gateway Program between New York and Newark, NJ, will reduce congestion and trip times, and improve reliability upon completion in 2025.

Accelerate Project Delivery

RPA actively supports the Federal Railroad Administration's, NEC Future study, which is developing a vision for future rail investments. However, this study will not be completed until 2015, most likely after the next federal rail bill is passed. RPA also supports the NEC Commission's efforts to build consensus among the Northeast States around a regional investment strategy and develop a fair cost allocation formula for new projects. However, the Northeast states and Amtrak (in its current form) will be unable to shoulder the financial burden of NEC Now improvements, or deliver the projects. Federal leadership and a new corridor management entity with access to federal grants and loans are needed to achieve this bold vision.

Some of the projects in the NEC Now infrastructure program have been subject to at least some preliminary environmental reviews and design, and should therefore be able to proceed to final design prior to the completion of FRA's NEC Future study with only supplemental environmental work. Other projects will need to wait for the completion of the NEC Future study before proceeding. **RPA recommends President Obama put all of the NEC Now infrastructure projects on an accelerated environmental review track, which requires no actions or approvals from Congress.**

Recommendations

- **Federal Leadership:** RPA's top priority is securing funding to return the NEC to a state of good repair and we see this as a federal responsibility. The NEC has a direct impact on the economy of twelve states and the nation's global economic competitiveness. Moreover, the federal government created Amtrak, but then failed to provide it with adequate funding to maintain its assets. The next federal rail bill should authorize $10 billion in federal grants to completely eliminate the backlog of deferred maintenance on the NEC, and include changes to the RRIF program, as well as new funding and institutional provisions that create the right financial tools and project delivery structure to achieve the rest of the $39.7 billion NEC Now infrastructure program. This investment will begin the transformation of the NEC from a deteriorating federal asset into a world-class rail corridor.

- **Funding & Financing:** RPA recommends that the next federal rail bill create a NEC Now grant program authorized to award $10 billion to NEC projects, in addition to Amtrak's normal capital funding. NEC Now grants could be used for planning, engineering, design, procurement, construction or financing costs. The next federal rail bill should also make changes to the statute that authorizes the RRIF program to allow for NEC Now grant funds to be used to supply the credit risk subsidy for the RRIF loans. RRIF loans can be repaid using existing or potential future revenue streams with Amtrak and/or its partners.

- **Institutions & Project Delivery:** Current institutions are inadequate to deliver the NEC Now infrastructure program. RPA recommends that the next federal rail bill authorize the creation of a new corridor management and project delivery structure with representation from the Northeast states and Amtrak, adequate staffing and resources, and the necessary authorities to deliver the NEC Now program.

- **Infrastructure:** RPA recommends that the next federal rail bill be authorized to initiate the NEC Now projects by 2020 to return the corridor to a state of good repair, improve trip times and reliability by fixing the worst bottlenecks, upgrade train stations to provide world-class gateways and construct an initial segment of Northeast high-speed rail between New York and Philadelphia that cuts travel times to 45 minutes.

- **Accelerate Project Delivery:** The FRA's NEC Future study, a critical effort, will not be completed until 2015. By that time, the next federal rail bill will have already been adopted. The NEC cannot wait until 2020 to undertake a major improvement program. RPA recommends that Congress authorize the NEC Now infrastructure program in the next rail bill and President Obama put all of the NEC Now projects on an accelerated environmental review track, such as the *We Can't Wait Initiative*.

State of New York
Department of Transportation
Albany, N.Y. 12232
www.dot.ny.gov

Written Testimony of Joan McDonald
Commissioner, New York State Department of Transportation
June 7, 2013

Good morning. I am Joan McDonald, Commissioner of the New York State Department of Transportation (NYSDOT). I am pleased to have the opportunity to discuss with you today the efforts of Governor Cuomo and NYSDOT as they relate to mutual cooperation, planning and investment pertaining to the rail operations and related activities of the Northeast Corridor (NEC).

We're all aware that realizing a bolder vision for the future requires unprecedented collaboration among states. NYSDOT is working through the Northeast Corridor Commission on comprehensive corridor planning. This is a daunting task for a corridor that spans eight states and the District of Columbia, supports nine passenger rail operators – including four of the five largest commuter rail services in North America, serves four freight railroads, and has four separate infrastructure owners. It is also a challenge to ensure that near-term capital projects align with long-term infrastructure and service plans.

Yet we've risen to this challenge and made the most of the resources available and the expertise of the professionals who are dedicated to realizing our mission. Our goals are varied, but they are all crucial components of what we are ultimately striving for: economic growth, connectivity, improved service reliability and travel time.

While more resources are always needed to continue the good work we've already begun, the NEC benefited from the $1.3 billion in capital funds appropriated to Amtrak in the American Recovery and Reinvestment Act (ARRA) and another approximately $1 billion in high-speed rail program grants from the Federal Railroad Administration (FRA) for projects on the Northeast Corridor main line between Boston and Washington. In addition, Northeast states received almost $700 million in grants for connecting rail corridors.

In New York, under the leadership of Governor Andrew Cuomo, construction is underway on a new grade-separated "flyover" at Harold Interlocking, where Amtrak, New Jersey Transit, and Long Island Rail Road trains, 783 per day, converge north of Penn Station at the busiest junction in North America. The $368.5 million removal of this bottleneck is funded in part with a recently awarded $295 million

FRA high-speed rail grant. The Metropolitan Transportation Authority also contributed a healthy $73 million in state funds to the project.

In addition, with the support of $83 million in federal Transportation Investment Generating Economic Recovery (TIGER) grant funds, and $30 million in FRA funding, New York, in partnership with Amtrak and private developers, has begun construction on $297 million of improvements to passenger access under what is planned to be a new "Moynihan Station" on the site of the former Farley Post Office adjacent to the existing Penn Station. This is the busiest rail station in the country, with over 1,000 daily trains and over 500,000 daily passengers.

Today construction is underway on the East River Tunnels Track and Signals; we're increasing capacity, reducing delays and improving safety by replacing the aging signal system as well as replacing track structure and drainage systems at a cost of approximately $200 million.

As we look further ahead, much more is on the horizon. The Gateway project to expand capacity across the Hudson River and within Penn Station is in the preliminary design phase, as is Phase II of the Moynihan Station project to construct the new train hall in the former Farley Post Office. To borrow a phrase: it's clear that "New York Works."

While I think it's appropriate to take pride in the accomplishments of my home state, my work as the former Chair of the Northeast Corridor Commission for the past two years has been focused on the much bigger picture that the vast needs of the Corridor entail, as well as the necessary and fulfilling task of strengthening existing partnerships and building new ones. I'm just as proud of the way we have committed to and endorsed each others' projects while never losing sight of our core mission and goals. Connectivity is a key element of what we are working to improve in transportation and connectivity is what we have achieved in this collaborative relationship. We have numerous states and jurisdictions and the most complex ownership and operating arrangements of any railway in the world; yet we are linked. This is why I'm certain that the Commission's goals will be met and the mission fulfilled: we're all in this together.

We know the Northeast Corridor must balance critical investment needs just to maintain the safety and reliability of current services with the concurrent need to address consistently growing passenger service demands. The fact that commuter services and Amtrak services intersect at common facilities and on common trackage creates a situation where delays to any one service will quickly cascade and adversely affect the on-time performance of other rail services. Without significant and sustained levels of infrastructure investment, rail operations on the Corridor will suffer and economic benefits of the Corridor will shrink.

Today, the reality is that deferring replacement of key components of the Corridor is no longer an option – infrastructure inherited from past generations can no longer provide the mobility needed to support continued, robust economic growth. New investment is essential to modernize systems, reduce failures, ensure safety and reliability, and expand capacity for increased service.

We often think about what might happen if we lost this invaluable resource. Hurricane Sandy provided a stark illustration of the chaos that would ensue without these vital rail assets that are so critical to our region, our citizens and our economy. Transportation systems must be balanced. Each piece is critical and interdependent; and each piece is linked.
The PRIIA Act which created this Commission is about improvement, and this work is well underway, but PRIIA is also about investment and, while existing resources have been a blessing, and we've done a lot with a little, the challenges ahead are going to require much more dedicated support. The states are not going to be able to do it alone.

The Northeast Corridor is a national resource and, along with the I-95 corridor, the transportation backbone of the entire Northeast region. However, the Corridor's current trajectory is unsustainable. The reliability of existing services is threatened by capacity chokepoints and significant state of good repair needs. And meeting future needs due to increasing demand for commuter, intercity, and freight service is simply not possible without significant and dedicated new investment in new capacity.

If we've committed to preparing our region to continue to grow, and we have, then we need to make significant, wise and bold investments in our rail system. I know the members of the Northeast Corridor Commission are committed to working together and with Congress and other stakeholders to ensure that the Northeast Corridor is up to the challenges of the future. We're already on the right track, with a solid record of achievement behind us and eminently realizable goals ahead. We're already succeeding, but what we need going forward is more support, greater investment and continued collaboration.

Thank you for the opportunity to testify today.

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

Bill Shuster
Chairman

Washington, DC 20515

Nick J. Rahall, II
Ranking Member

Christopher P. Bertram, Staff Director

James H. Zoia, Democrat Staff Director

July 9, 2013

The Honorable Joan McDonald
Commissioner
New York State Dept. of Transportation
NYSDOT Main Office
50 Wolf Road
Albany, NY 12232

Dear Hon. McDonald:

Thank you for your testimony before the Subcommittee on Railroads, Pipelines, and Hazardous Materials on June 7, 2013 concerning "New York City Field Hearing: The Importance of the Northeast Corridor." I am pleased you appeared and testified on behalf of the New York State Department of Transportation. 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 July 26, 2013. Please provide an electronic version of your response via email to Erin.Sulla@mail.house.gov.

If you have any questions please contact Mike Friedberg of the Subcommittee at (202) 226-0727.

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 "New York City Field Hearing: The Importance of the Northeast Corridor"
June 7, 2013
Questions for the Record

Questions from Rep. Shuster:

You stated during the hearing that recently in New York you adopted design/build legislation which helps get projects out of the door much more quickly.

- *Can you provide us with information on the savings that you have reaped?*
- *What about the time and dollar savings?*

STATE OF NEW YORK
DEPARTMENT OF TRANSPORTATION
ALBANY, N.Y. 12232
www.dot.ny.gov

JOAN MCDONALD
COMMISSIONER

ANDREW M. CUOMO
GOVERNOR

August 2, 2013

Honorable Jeff Denham
Chairman
Subcommittee on Railroads, Pipelines,
and Hazardous Materials
United States House of Representatives
1730 Longworth House Office Building
Washington, DC 20515

Dear Representative Denham:

Thank you for the opportunity to provide a written response for the record in answer to your additional questions concerning my testimony before your committee.

Since the New York State Transportation Department (NYSDOT) received the authorization to use the Design-Build procurement process at the end of 2011 as part of state legislation, NYSDOT has utilized this method to deliver 32 bridges bundled in three contracts, a major roadway reconstruction project, and a large structure rehabilitation/access improvement project aimed at improving economic development.

Design-Build allows NYSDOT to start the procurement process as the project is being developed. NYSDOT can accelerate projects by at least a year as compared to the traditional "Design-Bid-Build." Design-Build also allows qualified firms to bring cutting-edge ideas and technology to the process. Also, by utilizing the Design-Build Best Value determination, NYSDOT has the flexibility to set criteria that go beyond cost and to include consideration of the contractor's ability to perform the work and the speed of construction. Since time is money, giving the contractors greater ability for creativity and innovation allows greater opportunity for cost savings. Using Design-Build NYSDOT also has seen cost savings in reduced order-on-contracts. That reduction allowed NYSDOT to achieve our goal of projects being completed with a final cost that is less than 5 percent above the price at award.

If you have any additional questions, please contact me at (518) 457-4422 or Diane Lombardi, Director of the Office of External Relations, at (518) 457-2345.

Sincerely,

Joan McDonald
Commissioner

cc: Diane Lombardi, Director, Office of External Relations

TESTIMONY

OF

JOSEPH H. BOARDMAN

PRESIDENT AND CHIEF EXECUTIVE OFFICER

AMTRAK

60 MASSACHUSETTS AVENUE, NE

WASHINGTON, DC 20002

(202) 906-3960

BEFORE THE

SUBCOMMITTEE ON RAILROADS, PIPELINES and HAZARDOUS MATERIALS

"New York City Field Hearing: The Importance of the Northeast Corridor"

FRIDAY, JUNE 7, 2013

9:30 A.M.

380 West 33rd Street,

Moynihan Post Office Building, Room 4500

New York City, NY

Thank you for the invitation to testify this morning. Given that we have just had an opportunity to see the NEC at firsthand, I think it would probably be most useful if I discussed this asset in the context of reauthorization and funding concerns, rather than reviewing the plans and programs we discussed on our trip up to New York.

The genesis of the Northeast Corridor as we know it was the 1965 High Speed Ground Transportation Act. This established a partnership between the DOT and the Pennsylvania Railroad (and its successor, Penn Central) to improve the right-of-way and purchase new equipment to establish America's first high-speed service, the *Metroliner*. We are still using some of that equipment today.

Amtrak took the NEC over from the privately-owned Penn Central Railroad in 1976; Penn Central was then in bankruptcy, and transfer of the NEC to Amtrak was a part of a much larger Federal plan to preserve rail service in the Northeast – both freight and passenger. The potentially profitable freight-hauling operation was merged with several other bankrupt freight carriers and became Conrail. Conrail became profitable after a period under Federal stewardship, marked by a string of reforms designed to revise and reform the freight rail industry. The NEC passed to Amtrak, which implemented several significant repair and improvement programs in partnership with the FRA, transforming a dilapidated midcentury rail operation into the high speed, high capacity rail route we have today. It was a worthwhile investment – but the plans that were developed at the time did not anticipate the growth in commuter traffic that we've seen since the 1970s. While Amtrak is the only user to operate trains over the full length of the corridor, I would note that we operate only about 157 daily

trains on it, and the freights typically operate about 40-50; the commuters operate more than 1,800. That number has almost doubled since 1975, and today we are handling almost twice as many commuter trains on the NEC as we did when we took it over – on essentially the same infrastructure.

I would note here that work is ongoing on several projects that will significantly improve the level of service and the reliability of the NEC. We are officially opening the new Niantic River drawbridge in Connecticut today; the new bridge will replace a failure-prone span that was built in 1907. We are in the middle of a project to rehabilitate the railroad between Newark and Trenton that will add capacity for all users and raise the top speed for our *Acela* services to 160mph. Work in ongoing here in New York to open the connection between the Farley Post Office and Penn Station. This is a vital step toward the realization of our vision for an expanded and greatly improved "Moynihan Station" in New York. Finally, we received the funds last week for one of the most time-critical components of the planned Gateway Project, the tunnel opening under the planned Hudson Yards overbuild. This will protect our access to Penn Station on the existing alignment, and will ensure that we have the ability to develop the capacity we will need in the century to come.

Today, the NEC is a better and more capable railroad than the one we took over and it performs an essential travel function in the nation's most populous region. But we face a lot of challenges: we have mapped out an investment plan to build capacity on the existing NEC, but the limits of the existing infrastructure will be reached in the foreseeable future. We share the route with eight commuter operations, and several of the most important segments, such as the New York tunnels, are at capacity. Traffic is only going to grow, and at some point, the Federal

government will have to take the lead in funding a major program that will build out the rail infrastructure we are going to need in the coming century. This is not unlike the role of other nations' governments in developing their modern HSR systems. These are challenges any reauthorization must deal with – but there is a more pressing and immediate question, and that is whether Congress wishes to support the existing structure for managing the NEC, or whether it wishes to propose an alternative to the current situation, where Amtrak operates and maintains the majority of the route. We have spent much of the previous Congress discussing potential alternatives to an Amtrak-operated and maintained NEC, where the commuter rail providers are contributing tenants.

I think any proposed operating structure must be evaluated on three criteria: Is it more cost-efficient? Will it improve performance? Is it safer? The most concrete proposals I have seen to date all envision a system similar to that pioneered in the UK and copied in Europe, where the infrastructure is operated by a single provider and private companies bid for subsidy levels to operate trains.

Quite apart from the question of whether this model would work on Amtrak, I think it's important to consider its impact in Europe, which has been gradually moving toward a more "liberalized" model since the 1990s. The best documented case has been British Rail, which faces some of the same physical plant challenges that we do. Costs to the taxpayer have grown considerably; at the peak in 2006-07, they were 3.7 times higher than the cost in 1994-5, before privatization went into effect; today, they are still more than twice as high.

Is this feasible for the NEC? I don't think so. The fact of the matter is that the NEC is a very old railroad; Amtrak makes the most sense as maintainer and operator because we are the

only carrier on it to run trains from endpoint to endpoint; our perspective is very different from commuter lines that operate over a single segment. Our Federal appropriations are just barely sufficient to address the annual need for normalized replacement; we can't afford a maintenance model that increases costs. Moreover, the introduction of a competitive model wouldn't increase the number or quality of services, since quality is heavily affected by the degree of infrastructure investment. We can't simply create more slots for trains; at this point, new services (particularly into or out of New York) would probably come at the expense of existing ones. What we would do is create a complex organizational challenge as we transitioned from a unified system to a fragmented one – and once we had overcome that challenge, we would be left with a situation where coordination of maintenance was significantly more difficult, decision making was protracted, and the safety problems that have often followed these kinds of fragmentations would lead to successively more demanding levels of oversight – which would in turn increase costs, lengthen delays, and hinder recovery from major service disruptions.

One useful lesson we can learn from Europe is neatly summarized in a recent report by the Boston Consulting Group on European railway performance. Various national railway systems were studied on the usual grounds – organizational model, market liberalization and public cost (the total of capital and operating spending). The study found little correlation between the first two models, but a strong correlation between public investment and total performance.

This is the point I would like to leave the Committee with. The existing organizational arrangement is probably about optimal; it ensures effective coordination between maintenance and operating functions, and it vests the principal responsibility for the NEC in the one operator

that must take a holistic view of it – and that has a vested interest in seeing it maintained for high speed service. Amtrak has established a business line to oversee and develop the NEC's operation, and we are working closely with the states through the NEC Infrastructure and Operations Advisory Committee and the commuter carriers through the Section 212 process to deal with cost allocation. These are complex processes, but we have strong relationships with our partners and I am confident that we can make a program work – given adequate investment. And that is really the challenge; it's not whether a different organization will be better, but whether the money can be made available to address the very real needs of this railroad – because even the best organization can't accomplish much without adequate funding.

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

Bill Shuster
Chairman

Christopher P. Bertram, Staff Director

Washington, DC 20515

July 9, 2013

Nick J. Rahall, II
Ranking Member

James H. Zoia, Democrat Staff Director

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

Dear Mr. Boardman:

Thank you for your testimony before the Subcommittee on Railroads, Pipelines, and Hazardous Materials on June 7, 2013 concerning "New York City Field Hearing: The Importance of the Northeast Corridor." 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 July 26, 2013. Please provide an electronic version of your response via email to Erin.Sulla@mail.house.gov.

If you have any questions please contact Mike Friedberg of the Subcommittee at (202) 226-0727.

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 "New York City Field Hearing: The Importance of the Northeast Corridor"
June 7, 2013
Questions for the Record

Questions from Rep. Denham:

When you prioritize investment in the NEC, is there a cost-benefit analysis conducted with ridership and economic benefits to local, state and federal entities?

Committee on Transportation and Infrastructure
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Question from Rep. Denham:

Question:

When you prioritize investment in the NEC, is there a cost-benefit analysis conducted with ridership and economic benefits to local, State and Federal entities?

Answer:

As you know, there are multiple users of the NEC – intercity, commuter and freight. Among the users, when we make investments in State of Good Repair (SOGR) projects, that investment is on the existing asset with a known level of utility among all the users. SOGR projects do not go through an extensive cost-benefit analysis. When we are able to make improvements to the NEC, there are two types of improvements – sole benefit and joint-benefit projects. For sole-benefit projects, the sponsor of the project does its own justification. There are a fair amount of commuter-only benefit projects done on the NEC every year. When there are joint benefits, it is understood that these type of improvements have an accompanying analysis that assesses the ridership and economic benefits that would apply to the operating railroads as well as, if applicable, to the local, state and federal entities affected. While there is a long-standing Federal Transit Administration process (e.g., New Starts) where these projects always go through cost-benefit process, there is not the same kind of process for projects that go through the Federal Railroad Administration for the NEC. This is a complex endeavor and Congress recognized it as such when it created the Northeast Corridor Commission in Section 212 of PRIIA to develop an appropriate and commensurate process for the NEC in close coordination with the Federal Railroad Administration-led NEC FUTURE process. When completed, NEC FUTURE will include an environmental impact statement and a service operating plan for the NEC that will determine where improvements should be made. While not the same process as the FTA's, the NEC FUTURE is assessing various options/alignment that focus on ridership and passenger benefits with a less proscriptive analysis on economic benefits. Once completed, this will set the stage for project benefits and the NEPA process which will require cost-benefit analysis.

With regard to our HSR Vision for the NEC, we have undertaken a more rigorous approach than a straightforward cost-benefit analysis and looked at the opportunity to attract commercial investment. This investment can only be initiated into project design and project work after the NEC FUTURE issues a record of decision and there is a considerable and consistent federal investment commitment.

○