THE ROLE OF INNOVATIVE FINANCE IN INTERCITY PASSENGER RAIL

(113–29)

HEARING

BEFORE THE

SUBCOMMITTEE ON
RAILROADS, PIPELINES, AND
HAZARDOUS MATERIALS

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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U.S. House of Representatives
Washington, DC 20515

Bill Shuster
Chairman

Nick J. Rahall, II
Ranking Member

July 3, 2013

Christopher P. Bertram, Staff Director

James H. Zoia, Democrat Staff Director

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 "The Role of Innovative Finance in Intercity Passenger Rail"

PURPOSE

The Subcommittee on Railroads, Pipelines, and Hazardous Materials will meet on Tuesday, July 9, 2013 at 10:00 a.m. in 2167 Rayburn House Office Building to receive testimony related to the role of innovative financing tools to advance intercity passenger rail projects. At this hearing, the Subcommittee will hear from the Deputy Secretary of the United States Department of Transportation (USDOT), John Porcari; the President and CEO of the Union Station Redevelopment Corporation, Beverly Swaim-Staley; the Chief Executive Officer of Parallel Infrastructure, Frank Chechile; and the President and CEO of Reconnecting America, John Robert Smith.

BACKGROUND

Innovative financing options have increasingly become an attractive vehicle to advance infrastructure projects in the United States. As federal and state budgets continue to tighten and municipal bonding costs rise, more and more states and localities are turning to federal credit programs, public-private partnerships, and value-capture methods to finance projects. While traditionally the majority of such projects have focused on tolled highways, transit and intercity passenger rail projects are considering innovative approaches to finance railroad infrastructure needs as well. Recent U.S. Treasury estimates show $400 to $500 billion in available uncommitted capital in the U.S. investment community. The investment community has indicated strong interest in participating in intercity and high-speed passenger rail development, especially in the Northeast Corridor.

Successful public-private partnerships share financing between the public and private partners. The private sector is incentivized to participate in financing a project when risk is minimized and there is a reliable federal or state partner. Incentives such as guaranteed loans, tax credits, and possibly deferring loan payments until profits are made may also make private financing more attractive. Advocates maintain that private sector financing could allow rail projects to be developed and constructed with less reliance on public funds, which in turn could speed up the process and result in lower-cost projects. In these arrangements, the public partner retains some control and management of the overall rail program to ensure that public requirements and government standards are met.

The following are some of the major innovative financing tools available for intercity passenger rail:

Railroad Rehabilitation and Improvement Financing (RRIF) Loans

The RRIF program provides direct, low-interest federal loans and loan guarantees to finance the development of railroad infrastructure. The RRIF program allows up to a total of $35 billion in loan authority, with $7 billion set aside for projects benefiting Class II and III freight railroads, commonly referred to as regional and short line railroads. These are small or mid-sized railroad companies that operate within a region or over a relatively short distance, with annual operating revenue of less than $401.4 million.

Railroads, rail freight shippers, state and local governments, and government-sponsored authorities are eligible to apply for RRIF loans. The program was initially authorized under section 502 of the Railroad Revitalization and Regulatory Reform Act of 1976. It was reauthorized by the Transportation Equity Act for the 21st Century (TEA-21) in 1998, and subsequently amended under the 2005 Safe, Accountable, Flexible and Efficient Transportation Equity Act: a Legacy for Users (SAFETEA-LU) and the Rail Safety Improvement Act of 2008 (RSIA).

Loans provided under the RRIF program may be used to: (1) acquire, improve, or rehabilitate intermodal or rail equipment or facilities, including track, components of track, bridges, yards, buildings and shops; (2) refinance outstanding debt incurred for the purposes listed above; and (3) develop or establish new intermodal or railroad facilities. Direct loans can fund up to 100 percent of a railroad project with repayment periods of up to 35 years at interest rates equal to the cost of borrowing to the government.

Since its inception, the RRIF program has not been used extensively by the railroad industry. This is due to a number of factors, including the fact that many railroads have sufficient access to private credit markets, and the perception that the RRIF loan approval process is bureaucratic and cumbersome. However, recently commuter and intercity passenger rail providers have begun to explore leveraging RRIF for capital projects. In 2011, Amtrak received the largest RRIF loan to-date, a $563 million loan for the procurement of electric locomotives for the Northeast Corridor.

Approved RRIF Loans Since 2010		
Year	Borrower	Loan Amount
2012	Alameda Corridor Transportation Authority	$ 83,710,000
2012	Kansas City Southern Railway Company	$ 54,648,000
2011	North Coast Railroad Authority	$ 3,180,000
2011	Amtrak	$ 562,900,000
2011	C&J Railroad	$ 56,204
2010	Denver Union Station Project Authority	$ 155,000,000
2010	Great Lakes Central Railroad	$ 17,000,000

Transportation Infrastructure Finance and Innovation Act (TIFIA)

The Transportation Infrastructure Finance and Innovation Act (TIFIA) program provides states, localities, or public authorities, as well as private entities undertaking projects sponsored by public authorities, Federal credit assistance in the form of direct loans, loan guarantees, and standby lines of credit to finance up to 80 percent of eligible surface transportation projects of national and regional significance. Projects eligible to receive assistance include intercity passenger rail facilities and vehicles, including those owned by Amtrak, and certain freight rail projects that, in turn, could improve passenger rail service.

To receive TIFIA assistance, an eligible project must be included in the applicable State Transportation Improvement Program. Major requirements include a capital cost of at least $50 million (or $25 million for rural projects and $15 million for intelligent transportation system projects); credit assistance is limited to a maximum of 33 percent of the total eligible project costs for lines of credit and 49 percent for loans, or loans and lines of credit combined; and senior debt must be rated investment grade. The project also must be supported in whole or in part from user charges or other non-federal dedicated funding sources, such as tolls, other user fees, or payments received under a public-private partnership agreement. Repayment must begin by five years after the substantial completion of the project, and the loan must be fully repaid within 35 years after loan disbursal.

A major difference between the RRIF and TIFIA programs highlighted by past witnesses is that TIFIA credit risk premiums may be funded with credit subsidy budget authority of the Highway Trust Fund, rather than the loan applicant. Under RRIF there is no subsidy budget authority for credit risk premiums, which are paid by the borrower based upon the level of risk associated with the loan. Some have cited this distinction between the programs as a reason for the comparative popularity of the TIFIA program.

Station Development

The benefits of public-private partnerships can be realized in a number of ways. New and redesigned stations can create economic development opportunities in urban centers along the line, while the use of value capture strategies in relation to those stations can produce new revenue streams that, in turn, can be used to improve the corridor or support operating expenses.

Rail stations can leverage their accessibility to transform urban centers and catalyze transit-friendly development around them. Increasing accessibility by adding or improving intercity passenger rail service is not enough to achieve these goals, as economic incentives and public-private partnerships are necessary for a comprehensive development strategy. Well-planned and well-designed stations can then become destinations unto themselves.

For example, even with the existing capacity constraints, Washington's Union Station has become the capital's most-visited tourist destination, with its 130 restaurants and shops and connection to commuter trains and local transit modes. In 2012, Amtrak and private developers released a Union Station Master Plan vision to significantly expand the capacity of Union Station, and construct a significant amount of commercial, residential, and retail buildings. With a price tag of $8 billion, public-private partnerships may be essential to move the project.

The value of these new or redesigned stations apply outside the station walls, and can be captured through a number of different strategies. The phrase "value capture" refers to strategies that allow governments or agencies to dedicate to a particular project a portion of the increased revenue generated through assessments or fees based on the value expected to accrue as a result of the project. Some examples of value capture strategies include joint development, special assessment districts, tax increment financing, and development impact fees.

- Joint development: Generally, real estate development projects involve a cooperative arrangement between public and private sector partners. Joint developments can take a variety of forms including lease of land, air rights, or space to a developer; sale of land for a particular type of development; and joint construction of a rail facility and private development. Depending upon the arrangement, the public and private partners can share costs, revenues, and the financial risks involved in the development.

- Special assessment districts: These are formal districts where special taxes or fees are assessed because the properties are expected to see a projected benefit based on geographic proximity to the station development. The revenues collected from the districts are then used to fund the facility.

- Tax increment financing: This is a public financing technique used by governmental entities to encourage economic development. Typically, the public-sector entity issues a special bond to help finance the development and related costs. The incremental increase in property values within the financing district from the development is then used to fund repayment of the bonds.

- Development impact fees: These are one-time charges collected by local governments from developers. The fees are used to defray the costs of new and/or expanded infrastructure and services associated with the development.

Denver Union Station is an example of a redevelopment project that took advantage of several innovative financing tools to advance a major transportation improvement in the heart of Denver. The roughly half a billion dollar project includes the development of a commuter and intercity rail terminal, a regional bus facility, new light rail platforms, and improved public spaces. To finance the project, the Denver Union Station Project Authority combined federal and state grants with a $155 million RRIF loan, a $145 million TIFIA loan, and real estate sale proceeds. The loan repayment sources include regional tax revenue and revenue generated from a tax increment financing arrangement.

Leveraging Right of Way

Another potential opportunity for successful public-private partnerships to support intercity passenger rail is leveraging railroad right-of-way to generate revenue. Railroad right-of-way can be used to place telecommunication and other non-transportation infrastructure. Under such an arrangement, the railroad would be compensated annually for the utilization of its right-of-way, which would provide a new annual source of revenue that could be leveraged for loans or bonding. In 2012, Amtrak generated $94 million in real estate-related revenue, of which the largest component ($26 million) utilized right-of-way in some fashion.

Amtrak Real Estate Development Revenue Fiscal Year 2012 - $ in thousands			
Description	NEC	Other	Total
Retail	16,484	5,249	21,733
Parking	11,103	5,920	17,023
Right-of-Way	28,186	1,483	29,669
Other	25,546	543	26,089
Total	**81,319**	**13,195**	**94,514**

INVITED WITNESSES

The Honorable John Porcari
Deputy Secretary
United States Department of Transportation

Ms. Beverley K. Swaim-Staley
President and CEO
Union Station Redevelopment Corporation

Mr. Frank Chechile
Chief Executive Officer
Parallel Infrastructure

Mr. John Robert Smith
Former Mayor of Meridian, Mississippi
President and CEO, Reconnecting America

THE ROLE OF INNOVATIVE FINANCE IN INTERCITY PASSENGER RAIL

TUESDAY, JULY 9, 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 10:05 a.m., in Room 2167, Rayburn House Office Building, Hon. Jeff Denham (Chairman of the subcommittee) presiding.

Mr. DENHAM. The committee will come to order. First let me welcome our distinguished witnesses and thank them for their testimony today. As I have said during every hearing we have held, I am committed to rail reauthorization this year. One area the next rail bill will likely need to address is the role innovative financing tools can play to advance intercity passenger rail projects. We all need to be creative in ways to stretch the Federal dollars and work with our partners in the States, with communities, and the private sector.

I have consistently advocated for the need to leverage private-sector financing in my home State for the construction of high-speed rail. Without private-sector engagement in financing, the California project is doomed to repeat the mistakes of the past, and will require endless subsidies from Federal taxpayers.

Innovative finance has been increasingly used in the United States for highway mass transit projects. And one of my goals for the upcoming reauthorization is to extend that trend to passenger rail. The Railroad Rehabilitation and Improvement Financing loan program is an example of a program I would like to leverage even more. Currently, RRIF is authorized to lend up to $35 billion in loans and loan guarantees for the development of railroad infrastructure.

The program was created principally for short line and Class I freight railroads, though recently commuter and intercity passenger rail operators have expressed interest in the program. RRIF and other Federal credit programs can accelerate large infrastructure projects if stakeholders come together to identify repayment sources. For example, Denver is utilizing RRIF and TIFIA to complete a major expansion of Denver Union Station, which will improve intercity rail, commuter rail, and bus connections. The loans are being repaid with a combination of local revenue sources. This is an excellent example of States, the private sector, and the Federal Government partnering to build more infrastructure in new and creative ways. We need to encourage more of this type of innovative thinking at the State and local levels so entities like the Altamont Commuter Express, ACE, in my area, can make the infrastructure upgrades they need for the future.

Station development is another tool that can be leveraged to support expanded and improved passenger rail services. Rail stations are often located in desirable downtown locations and can become the focus around which significant residential, commercial, and retail development can occur. Value capture methods, such as the tax increment financing, can be a means to leverage that private-sector development to spur transportation improvements.

Finally, railroads themselves can proactively use their own property to create additional funding sources. For instance, railroad right-of-way can be used to place telecommunication and other non-transportation infrastructure. In 2012, Amtrak generated $94 million in real estate-related revenue. And I would like to work to see them grow that number even further.

Again, I thank the witnesses for being here today.

I would now like to recognize Mr. Nadler for 5 minutes to make any opening statement he may have.

Mr. NADLER. Thank you, Mr. Chairman.

I want to begin by thanking Chairman Denham for holding today's hearing on the role of innovative financing in intercity passenger rail.

Unfortunately, Congresswoman Brown has an unavoidable conflict this morning, but I will do my best to fill in for her today as ranking member.

In 2009, Congress passed the Passenger Rail Investment and Improvement Act, PRIIA, which expires at the end of this fiscal year. As the committee prepares to reauthorize PRIIA, it is important that we take time to explore the role that innovative finance can play in the development of intercity passenger rail. But we must also not lose sight of the bigger picture. Under PRIIA, we authorized a total of $9.8 billion for Amtrak for fiscal year years 2009 through 2013. However, actual annual appropriations for Amtrak over this period were significantly lower, only $7.3 billion, or $2.5 billion lower than the authorized amount. Funding for Amtrak pales in comparison to those investments we make as a Nation in our highways and airports.

Today, Federal spending on highway construction exceeds $42 billion annually. We have not spent that kind of money on passenger rail service over the entire course of Amtrak's 43-year existence. Looking back, the figures are no different. From 1947 to 1970, when Amtrak was created, the Federal Government spent $11.3 billion in aviation, and $52.4 billion on the development of the Interstate Highway System and obviously nothing on Amtrak. There is no question we need to invest more in our railroads. A working group for the National Surface Transportation Policy and Revenue Study Commission reported that the total capital cost estimate of establishing a national intercity passenger rail network between now and 2050 is about $357 billion, or $8.1 billion annually. We are nowhere near that. And the House is currently moving in the wrong direction. The Federal budget is being cut to unsustainable levels under the Budget Control Act and sequestration.

The transportation appropriations bill for fiscal year 2014 that was just reported out of committee slashes Amtrak's capital program by $352 million, or 37 percent below the fiscal year 2013 enacted level. And it slashes Amtrak operations by $119 million, 25 percent below the fiscal year 2013 enacted level. Many of us will continue to fight these cuts. But given the current fiscal climate, I can understand why many would turn to the private sector. We should explore innovative financing options, but they should supplement Federal investments in Amtrak. We should reject any illusion that private financing tools alone can fill the gap. They cannot replace them. We need to ensure that there is a strong Federal role to help guide and support the railroads to grow and succeed.

In fact, only with a strong Federal role will we be able to properly leverage the private sector. Despite this lack of investment at the Federal level, the demand for intercity passenger rail service is growing. Amtrak continues to set new ridership and revenue records each year. And it is doing all of this while facing budget cuts and uncertainty. We should build upon Amtrak's success and give Amtrak the tools it needs to truly implement a national strategic vision for intercity rail.

There are several existing programs and options that could be part of the solution. The FRA's Railroad Rehabilitation and Improvement Financing, RRIF loans program, is one tool that has the potential to help railroads, shippers, and States meet these rail infrastructure investment needs. Unfortunately, we are not taking full advantage of this program. We often hear that the application process is difficult, time consuming, expensive, and cumbersome. There has been bipartisan support for reforming the RRIF loan program, so I am hopeful that we will agree on improvements. As we draft the PRIIA reauthorization bill, it is the perfect time to look at the current RRIF program and other financing tools that we can create or improve to see what we can do to help this Nation's intercity passenger rail system succeed.

Given the difficult economic climate, more and more States and localities are turning to Federal credit programs and public-private partnerships. We have an opportunity, as we write the reauthorization bill, to find new creative ways to help incentivize continued investment in intercity passenger rail from both public and private partners.

But again, these innovative private financing options must be incentivized, they should be utilized better, we should reform them, but they cannot replace budget cuts or lack of adequate Federal investment. They are a supplement, they are not a replacement. Most of us here want to invest in and develop safe, efficient, convenient, and affordable transportation options like high-speed intercity passenger rail. But if we want to see actual results and improvements in the Nation's passenger rail system, we need a permanent solution. We need to show the public and the private sector that we support passenger rail, and give our States, communities, and the private sector the confidence they need to plan and invest. To do that, we must increase the use of innovative financing, but we must increase substantially increase the Federal investment of direct Federal appropriations in intercity passenger rail.

Thank you, and I look forward to hearing our panelists' thoughts and ideas this morning. I yield back.

Mr. DENHAM. Thank you. I now call on Chairman Shuster for any opening statement he may have.

Mr. SHUSTER. I thank the gentleman. And I appreciate you holding this hearing today. As I have said previously, I think we have got to figure out ways to make sure the investments are made in intercity passenger rail. And I think that it is not only money, but it is reforming how we go about it.

Mr. Secretary, I would like to welcome you here today. I should have started off with that. Thank you for being here. We need passenger rail in this country. We have got to take a hard look at it and figure out where we are going in the future. The number I constantly remind myself of is that this Nation is going to go from 300 million to 400 million people. The projection in 2005 was it was going to take 32 years. We are already 8 years into it, we are headed towards 400 million, and we are going to have to figure out how to get people between our major cities. You take the I–95 corridor. It is impossible to build another lane of highway there. So we have got to figure out how to improve moving people without moving them on the highways.

I also believe that the partner out there is the private sector. There is countries around the world that have shown that private-sector involvement can be successful, and it is a way to get those additional funds and investments made. Programs like the RRIF program and TIFIA have shown us that we can leverage those scarce Federal resources to make sure we are making those investments that we need to. And we also need to, and we are talking about reform, is leverage the railroad assets, like stations and right-of-ways to make sure that we are developing and being able to capture that investment that is there. And again, we look around the world, there are places that have done that successfully.

So again, I appreciate the chairman holding this hearing and for the chairman's hard work traveling the country. I know he has been around talking to stakeholders and making sure they are heard. So, again, Chairman Denham, appreciate all your hard work, and thanks for the hearing today.

Mr. DENHAM. Thank you.

I would now like to welcome Mr. Porcari as our first witness today, our first panel. Then we will go into a second panel. We will most likely have time for two rounds of questioning. We know that this is a very important topic. And we look forward to working with you on improving America's railroad.

Amtrak, I agree with Mr. Nadler, has been improving. But we obviously have some safety concerns. We have got some infrastructure concerns. We have got some opportunities to really invest in continuing those improvements. And we look forward to working with you on that. I would 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 your oral testimony be limited to 5 minutes.

Mr. Porcari, welcome.

TESTIMONY OF HON. JOHN PORCARI, DEPUTY SECRETARY, UNITED STATES DEPARTMENT OF TRANSPORTATION

Mr. PORCARI. Thank you.

Chairman Shuster, Chairman Denham, Mr. Nadler, members of the committee, thanks for this opportunity.

When President Obama took office, he laid out his vision for the 21st-century American rail, a vision that aims to connect 80 percent of the Nation's population to a high-performance rail network within the next 25 years. Since 2009, the U.S. Department of Transportation has made unprecedented investments in America's rail infrastructure to help make this vision a reality. And every step of the way, we have put people to work and generated economic growth in communities across America.

Today, 6,000 corridor miles are being improved, 40 stations are being upgraded, 260 next-generation passenger rail cars, and 105 locomotives are being procured. Our High-Speed and Intercity Passenger Rail Program is investing more than $10 billion in strategic market-based projects in 32 States. Our successful TIGER grant program has awarded over $750 million to more than 45 rail projects, from station upgrades to large-scale freight initiatives. Our Railroad Rehabilitation and Improvement Financing program, better known as RRIF, continues to support major rail projects. And it is a great example of how our investments are able to attract private capital.

One loan we issued through RRIF allowed Amtrak to buy 70 new locomotives to modernize its fleet in the Northeast Corridor. These locomotives are being manufactured as we speak at a Siemens plant in California that employs about 750 people, with suppliers in 23 States building component parts. We have also issued 29 RRIF loans to freight railroads, helping to upgrade our rail infrastructure and improve the movement of goods across America.

Our innovative TIFIA program is another tool we are using to stretch our rail dollars further. TIFIA, that is the Transportation Infrastructure Finance and Innovation Act, provides direct loans, loan guarantees, and standby letters of credit for major infrastructure projects throughout the Nation. It is a powerful resource on its own, but when TIFIA is combined with RRIF the benefits are truly inspiring.

For example, as you mentioned, Mr. Chairman, in Denver at Union Station Denver, both a RRIF loan and a TIFIA loan are being used together to leverage more than half of the total project funding for the redevelopment of Denver Union Station. More than 2 million square feet of mixed-use space development is now being built around the station, spurred by the revitalization of the station itself. And it is estimated that public sector investments will create 7,000 jobs during the construction of that project. As you can see, in cities and towns across the country, rail investments lead to more jobs, increase private-sector buy-in, and better infrastructure for everyone. It is a true win-win-win situation.

To fully realize the potential for rail in America, we have to continue investing Federal resources and leveraging them with our public and private-sector partners. The President's 2014 budget request proposes a 5-year, $40 billion rail reauthorization. And we are proposing to fund this reauthorization by creating a new rail account as part of our broader transportation trust fund, providing much needed funding predictability and consistency for both our public and private-sector partners.

Our current authorizations, passed in 2008 in true bipartisan fashion, were game changing. Since they were passed, Amtrak's ridership, its on time performance, and its revenues have reached all time highs. The freight rail industry has invested in its infrastructure at a pace not seen since the 19th century. And last year was the safest in railroading history.

Now, imagine what we could do together if we treated rail like our highways and other forms of transportation and provided it with a sustained source of funding. Our highways and airports are already stretched to their limits and facing congestion that will only get worse with time. By 2050, we will need to move up to—we will have an additional up to 100 million people in America, and 8 billion tons more freight per year.

The demand for rail is at an all time high. In the last 10 years, Amtrak's ridership has increased by 40 percent. This is the time to put rail funding on par with our other modes of transportation. Making large-scale investments on a year-to-year basis we realize is both difficult and inefficient. No rail system in the world has ever been successfully planned and developed on that basis. Predictability in Federal funding is a necessity. It is what States, local governments, and private-sector investors are looking for. It is what will move America forward. And it is what will ultimately support the public-private rail partnerships that are needed to realize the President's vision for a national passenger rail network that is the envy of the world.

Thank you, Mr. Chairman, for the opportunity to testify. I look forward to taking your questions.

Mr. DENHAM. Thank you, Mr. Porcari.

Let me first start by clarifying something that you said in your statement. I agree that there should be dedicated funding. I think if you are going to improve passenger rail across the Nation, there needs to be that dedicated funding stream. So what are your ideas? Is it an infrastructure bank? Is it some type of new tax? What does that dedicated revenue stream look like?

Mr. PORCARI. There are a number of ways this can be done. And if you look at the ways in the past that Congress and the executive branch have worked together in a true bipartisan way to identify revenue sources, the entire spectrum of potential revenues would be out there.

What is true, Mr. Chairman, is that any major infrastructure investments, whether it is our highway system or aviation, has required core public funding on a multiyear basis to be effective. So we look forward to working with you and members of the committee and Congress on identifying those revenue sources.

Mr. DENHAM. Thank you.

And I would agree we need a 5- or 10-year plan to be able to plan any long-term project. There is no plan that the administration has out there in print today that I haven't seen, is there?

Mr. PORCARI. The President's fiscal year 2014 budget does identify pay-fors for the rail portion of the plan from the Overseas Contingency Operations Accounts. And we think of it as some Nation building right here at home.

Mr. DENHAM. OK. I think we have scored the downsizing of the war in many different funding scenarios. But we nevertheless, we look forward to working with you on that because we do agree that a long-term funding source, like the Highway Trust Fund—only a Highway Trust Fund that actually is fully funded, as well. We have some big infrastructure challenges that I think we can work on, on a bipartisan level.

But let me start with a question about the RRIF loan. In 2011, the Department of Transportation approved to Amtrak a $563 million RRIF loan for the procurement of 70 electric locomotives. The loan will be repaid with revenue generated from Amtrak's Northeast Corridor services. In your view, are there further opportunities to leverage Amtrak's Northeast Corridor profits to accelerate the state of good repairs along the whole Northeast Corridor both on safety as well as creating better efficiencies? I have taken that train a few times now to see how many challenges there are and the number of projects that are in dire need of funding.

Mr. PORCARI. Yes, Mr. Chairman. The short answer is yes, we believe there are further opportunities, whether it is through the RRIF loan program, through, as you point out, station development opportunities, and other value capture opportunities, and baseline funding to restore some of the Northeast infrastructure. Despite the historic disinvestment in the Northeast Corridor, as you know, ridership growth has been steady and very impressive. The rolling stock, in particular, these new locomotives, will be very helpful. But I think it is worth noting that the Acela trains, the newest rolling stock in the Northeast Corridor, are now 20 years old.

Mr. DENHAM. And would it be helpful, as we are putting together the PRIIA reauthorization, to separate Amtrak's lines of business to make sure we are making loans to Amtrak that are not being paid for with a Federal subsidy so that we have directed funding just on infrastructure improvements?

Mr. PORCARI. Yes, Mr. Chairman. We have been supportive of having transparency into Amtrak's lines of businesses to better support investment decisions, but also from a national perspective, especially when it—because it is important to serve rural areas throughout America on cross-country service as well, to understand what it will take to support that service in the long term.

Mr. DENHAM. And the RRIF, the whole overall RRIF program has not been fully utilized. There is obviously a great deal of money that is sitting out there that could be loaned out. And recently the RRIF loan program has garnered interest for advancing new intercity passenger rail projects. Does DOT believe that the RRIF program can be used successfully to support passenger rail projects as well?

Mr. PORCARI. Yes, we do believe the RRIF program has a part in both freight and passenger rail. There are some very interesting both applications and potential proposals out there. As you know, the RRIF program is our one underutilized financial resource for both freight and passenger rail. We look forward to working with the committee and the users to find more effective ways to implement the RRIF program.

Mr. DENHAM. And I know that there are high-speed rail opportunities to loan RRIF dollars. What role, if any, do you think RRIF can play in the California high-speed rail project, which, as you know, will require billions of dollars in grant funding that is unlikely to materialize without a dedicated source?

Mr. PORCARI. The RRIF program is a potential source of a portion of the financing for the California program. That will have to stand on its own legs financially. Like every other RRIF application, it would have to make financial sense in its own terms. But it is a potential tool, as are other State and Federal revenue sources.

Mr. DENHAM. Thank you.

We certainly agree on that. I think that they will have to prove their business plan to be worthy before they could apply for a loan. But we are certainly looking at other opportunities.

Mr. Nadler.

Mr. NADLER. Thank you, Mr. Chairman.

I just want to, before you answer my questions, I want to follow up on that. Do you believe that a high-speed rail system or any transportation system has to stand on its own in terms of turning a profit or at least breaking even, as opposed to being subsidized from the outside?

Mr. PORCARI. Mr. Nadler, we don't have any portion of the transportation system that stands totally on its own legs financially.

Mr. NADLER. Exactly.

Mr. PORCARI. What I was referring to is a specific RRIF loan proposal, if we get one from the California High-Speed Rail Authority, would have to make financial sense.

Mr. NADLER. Yeah, obviously. But we have to understand, I assume, that loan programs, and any other innovative financing systems that I haven't heard talked about—I have heard PRIIA and RRIF—are loan programs. They have to be paid back. They have to be paid back out of revenues. And you are not going to build or maintain major systems out of their own revenues, even if you use part of that—especially if you use a larger and larger part of that for debt service. You have to have an outside subsidy from somewhere, correct?

Mr. PORCARI. That is correct. Mr. Nadler, we wouldn't have an Interstate Highway System, we wouldn't have the aviation system that is the envy of the world if we didn't have trust funds with dedicated revenue sources that year after year provided the baseline funding.

Mr. NADLER. So we have to find some revenue source from outside in addition to creative use of PRIIA and RRIF and anything else we can come up with and PPP, we have to find some source which we don't have now of large-scale annualized public funding for passenger rail?

Mr. PORCARI. We do.

Mr. NADLER. And there is no proposal on the table at the moment.

Mr. PORCARI. Apart from the President's proposal in the fiscal year 2014 budget. We look forward to working with the committee and Congress on a multiyear proposal.

Mr. NADLER. Thank you. The President proposed in the fiscal year 2014 budget, and I think this may have been what you were just referring to, $300 million. Why is that necessary? I am sorry, for State corridors, $300 million for State corridors.

Mr. PORCARI. We have historically as a Nation underinvested in these corridors. There is great demand for—grade ridership demand that individual State corridors, and regionally and nationally, we have not been able to fulfill. The idea is to jump-start the infrastructure investment process with some critically needed investments. Overall, the fiscal year 2014 proposal has a number of different categories which we are proposing to fund both passenger and freight rail needs. And I mention those in the same sentence because, with limited exceptions of true high-speed rail, we will have a mixed system in the United States.

Mr. NADLER. And these are grants, not loans, correct?

Mr. PORCARI. Primarily they would be grants.

Mr. NADLER. Good. Thank you. Now, you mentioned that the administration proposes to fund Amtrak—or actually you were talking with the chairman, and you mentioned that the administration proposes to fund Amtrak through business lines rather than the traditional operating and capital debt service grants. Last week, the FRA, the Federal Railroad Administrator, testified that financing along business lines would not make sense with the low appropriations levels proposed by the Appropriations Committee in the House for Amtrak. Why is this so? And what do you believe would occur in the short term and long term with such low Federal financing levels? And do you think the private sector would come in to take up the slack?

Mr. PORCARI. Basically, providing transparency along the lines of business will highlight, as the Administrator pointed out, the underfunding and the problem. It will show very specifically by line of business where more investment is needed. There is certainly a role for public-private partnerships, and we want to encourage those and maximize those to the extent possible. There is a large part of the system that is simply a public good that is not going to fit the profile of what the private sector would co-invest in. So the bottom line is a better, more consistent, and higher baseline level of public funding is needed, along with better and more public-private partnerships.

Mr. NADLER. That makes sense. But the Federal Railroad Administrator testified that financing along business lines would not make sense with the low appropriations levels. Now, did he mean or would you say that what doesn't make sense are the low appropriations levels? And with those low appropriations levels that don't make sense, if you had financing along business lines that would make it more transparent and show more—how much it doesn't make sense? Or instituting such a system doesn't make sense with inadequate financing levels?

Mr. PORCARI. What the President's budget is proposing is transparency by lines of business and higher levels of funding. If you look at the current funding and the House proposal for funding, there would be some very difficult choices that the House would need to make on actually cutting back service.

Mr. NADLER. But if you had a very inadequate level of funding, would it still make sense to fund through business lines to make it more transparent, or is there some reason that wouldn't make sense if you were having senseless inadequate levels of funding?

Mr. PORCARI. We have been promoting transparency across the transportation network, along with performance measures, as a way to restore public confidence and show the transportation investments on a business case basis make sense. So we would propose to do that.

Mr. NADLER. Even if you had inadequate levels of financing?

Mr. PORCARI. That is right.

Mr. NADLER. My time has expired. I yield back. Thank you.

Mr. DENHAM. Mr. Shuster.

Mr. SHUSTER. To follow along the line of questioning that the gentleman of New York, senseless underfunding, putting into a system that is not operating well or inefficiently, the whole system is senseless. And so that is why I believe we have got to start with reforming it how we move forward and then try to figure out how to get those funds.

I think everybody agrees that there has to be some level of investment from Federal to State, from the Government. As the Secretary said, none of our transportation modes goes along by themselves without some assistance. But again, going back to the investments that are made and not being properly invested, not being done in a way that we can maximize the return I think is wrong.

But I look at Amtrak, and the ridership has gone up significantly. We use all the time the Keystone corridor from Harrisburg to Pittsburgh, which has gone up I think now about 70 percent in the last 5 years. Pennsylvania and Amtrak made that investment. I think that is senseless sitting in traffic. Every time I get on there and I do the back of the envelope, and I did one right here to make the calculation, there is three prices basically, $19, $29 and $39. That might have gone up a little bit. But when you take that $29 or $39, which is what the typical business traveler is going to pay, $58 or $78 round trip, if you take the tax, the gasoline you used, the parking you are going to have to take into consideration and the toll, it is $62 to $72. So as I tell the Governor of the State of Pennsylvania—who is in control over the price in that line—the price needs to be higher. Nobody wants to pay more, but as a business traveler, as somebody that values my time, the calculation needs to be made how much more productive can I be? Because I think that that is a problem. That goes to the point of the management of it is not like a private-sector company would look at it, look at price elasticity, and they would say, hey, we can get $100 or $110 round trip and increase our revenues. We are not doing that.

My son traveled from Harrisburg to New York City round trip. Good for me it was $108. I couldn't believe it was $108. I probably would have paid $208 easily to make sure that he didn't have to take his car into New York City and deal with all the headaches and hassles.

So that is the core to the problem I think is we have got to figure out how to reform Amtrak, to manage it the way a private-sector company does. And when we are talking about separating business lines, it makes a lot of sense to me. Now, as I said, below the rail, that is where the investment is going to have to be coming from help from the Federal Government. But above the rail, by putting private-sector practices, or by bringing the private sector into the process, I think we can look at these things, these different lines as standalone businesses.

And that long, lengthy statement brings me to my question to you, Mr. Secretary. The President has talked a lot about it, but I don't think his actions have put the focus where they need to be. Dribs and drabs everywhere. I am not a fan of the California high-speed investments being made there because I don't think they can afford it. But do you agree we need to really focus on the corridors that make the most sense? For instance, the Northeast Corridor, or a heavily traveled corridor, Chicago to St. Louis, those places like that. Do you think we need to focus on those corridors and not try to spread our money so thin we are not going to have any kind of impact?

Mr. PORCARI. Mr. Chairman, much the same way that the interstate system was built, the passenger rail corridors are starting off as city pairs. You mentioned St. Louis-Chicago as a great example, where that investment of Federal public dollars has now resulted in 110-mile-an-hour service for a portion of it. Likewise, Detroit to Chicago, most of that will be 110-mile-an-hour service in the next few years. As the city pairs start connecting with each other, you are building a network from the ground up.

This is not a Federal Government master plan map of the country imposed from the top down. It is really demand starting with city pairs and emerging corridors building up. And again, I would point out that that is the way, whether it is highway or aviation or any other part of the transportation system, that is the way most of our system has been built, from the ground up.

Mr. SHUSTER. Except when you look at the New Orleans to Los Angeles, the Sunset Limited, that is the biggest loser I believe we have. What are your thoughts on that?

Mr. PORCARI. Some of the cross-country service is very important for the rural areas that it serves. Part of the conversation should be those communities along the way and connected to a nationwide network through Amtrak. As we are losing intercity passenger bus service, for example, Amtrak is becoming more and more important for those rural areas that simply don't have transportation options otherwise.

Mr. SHUSTER. We are losing those intercity bus travel?

Mr. PORCARI. Yeah, well, the bus industry is changing rapidly, and a number of towns and areas that had been served with scheduled service don't have that anymore.

Mr. SHUSTER. Right. Right. If the chairman will indulge me for another 20 seconds, just a statement. I agree with you, we need to figure out how to improve RRIF loans, get them out there. Thirty-five billion dollars that is available, and we are not even close to that. We tried, Chairman Mica and myself tried to in MAP–21, tried to reform that but we were unable to. So I look forward to working with him improving RRIF.

Thank you, Mr. Chairman.

Mr. DENHAM. Thank you.

Mr. Michaud.

Mr. MICHAUD. Thank you very much, Mr. Chairman.

And thank you for being here this morning. I want to follow up, you mentioned that there is some collaboration between freight and passenger rail, particularly in rural areas that make sense to do that. How many areas, number one, is that collaboration going on? And do you envision, do you have any plans to increase that collaboration to include more passenger and freight rail?

My second question is, as you look at trying to hold down the costs, have you, the department, thought of utilizing the National Guard to use that as a training project so when they can use the man-hours and equipment to actually build passenger rail, help hold down the costs?

And my third question is since the United States is negotiating with the EU for a trade deal, and if you look at the shipping lanes for that trade deal, it makes a lot of sense to actually have it shipped on the east coast. And once it gets on the east coast, I will just use Maine for an example, Eastport is the deepest water port on the east coast, doesn't have to be dredged. How would you get that product from say Maine to California using rail? Have you looked at that as well?

Mr. PORCARI. Let me try to take those questions in turn. First, in terms of shared tracks, it is important to state that we have the best freight rail system in the world. It is the envy of the world. And one of the reasons that our economy is strong is because over the last 25 or 30 years, the freight rail system has come back very strongly. And in the vast majority of cases where we have passenger rail service, it is on shared tracks where it is serving both freight and passenger rail needs. That will continue to be true under almost any scenario.

So we focus on the safety of the interaction between passenger and freight, but we are very mindful from an economic development point of view that we want to promote the freight side of it as much as passenger. And we try to make sure we have that balance there. As far as the National Guard, to my knowledge, we have not looked at that as an option. We have focused very much on the safety of the system. And that in part has been from the rigorous training requirements and safety management systems and other safety cultural issues that we have worked on together with the various railroads for a steady increase in safety.

On the shipping lanes and the ports, it is a great point, because what we have not been able to do much in the past is focus on the seams in the transportation system. We may have great ports that have a 50-foot channel and a 50-foot berth, but if we don't have great rail and highway access to that port we haven't done anything. By category, one of the single biggest winners in our TIGER grants over the various rounds has actually been freight rail and ports. And it is because we have been able to take very specific, relatively small targeted investments and eliminate bottlenecks. And there is great examples all over the country where taking a systems approach, we have been able to eliminate some of those bottlenecks. Through the RRIF program, through a continued TIGER program, and through base funding at an adequate level for a passenger rail system, we believe that we can actually keep working on those bottlenecks and build a system that serves both the freight and passenger rail needs. Mindful also that there are other development opportunities and value capture opportunities for that right-of-way and the stations as well.

Mr. MICHAUD. Thank you.

I think it is very important that when you look at passenger, freight, and what is being negotiated like with the EU, that you also look outside the box. My biggest concern, without getting the wrath of my friends from New York, is my understanding that they are going to have to spend about a billion dollars raising a bridge. They are going to have to spend a ton of money dredging, which is costly, so here is to me anyway, is a waste of taxpayers' dollars when there are more economical ways of probably looking at ways how things go. And I would be willing to talk to Ranking Member Nadler about that as well.

But my next question is, and I heard Chairman Shuster mention it, about how businesses can afford more as far as the costs. Have you done an analysis, maybe businesses can, but on your ridership? Where is that return rates going to be? So if you do raise the rate, are you going to be losing customers because they can no longer afford the higher rate.

Mr. PORCARI. As a general principle, Amtrak, commuter railroads, other operators are looking at that the elasticity. They do it on different schedules and in different ways. On the Keystone service, I am not certain of where that point is. But I think the chairman's point is a good one, when the service started, the point was to build ridership. Now that ridership has been built and the base ridership is there and it is still growing, there may be pricing opportunities. I am not sure.

Mr. MICHAUD. Thank you very much.

Thank you, Mr. Chairman.

Mr. DENHAM. Thank you. Mr. Williams.

Mr. WILLIAMS. Yes. Mr. Secretary, thanks for being here. I appreciate it. I am a business guy. I am from Texas. So I am a big private-sector guy, believe in the private sector.

My experience has been that big government and regulations and processes choke the heck out of opportunities for the private sector to get engaged. I guess my first part of my question would be, what do you propose? I mean, we haven't talked too much about regulations and how hard it is for the private sector to get involved with the Federal Government on a private partner relationship. What do you propose do about some of these regulations that seem to go on and on and on?

Mr. PORCARI. Yeah. First, sir, on the public and private investment, there is great example I wanted to mention in Texas of Tower 55, which is a truly a national bottleneck.

Mr. WILLIAMS. Right in my backyard.

Mr. PORCARI. Absolutely. And a joint investment from the Class I railroads and the Federal Government is eliminating one of the worst bottlenecks in America. And I think that is a great illustration of the approach we are trying to take to eliminate regional and national bottlenecks through joint public-private investments. On the regulation side, we are working very closely with industry on the implementation of, for example, positive train control, as mandated by Congress. We have made modifications to that program that we think make sense. And we have done that working closely with the industry. That is one example.

I would say that there is a strong shared sense of safety and building a safety culture that, with or without regulations, cuts across the railroad industry. And it is one that we share with both our freight and passenger railroads.

Mr. WILLIAMS. Sometimes the process is pretty cumbersome, and there are ways, hopefully you will find ways to make it easier to be a partner.

Mr. PORCARI. And I believe positive train control is an example of that, where the regulations that were mandated by Congress have actually been modified in response to legitimate points brought up by industry.

Mr. WILLIAMS. The other thing is of course we all talk about where the cash flow is, don't we? And the public sector has got their cash flow, the Government has got their cash flow. You know, as mentioned earlier, where is the—where do you propose the Government's money comes from? Are you talking about more taxes? Are you talking about tax increases? I heard you say earlier we are talking about also money that the President is planning on from the withdrawal from the wars. It seems everybody has got their hand in that. Where is the money going to come from? Are we going to tax? Are we going to have higher taxes? More taxes?

Mr. PORCARI. Well, first, the specific discussion about the fiscal year 2014 President's budget does have that pay-for, the Overseas Contingency Operations Account. And again, we think of it as Nation building right here at home and investments that will pay off for generations. We look forward to working with Congress on a larger discussion on a bipartisan basis of the levels of funding that will actually rebuild our infrastructure and turn over to the next generation what we inherited, which was a transportation system that drives the Nation's economy and builds a better standard of living.

Mr. WILLIAMS. But you are not ready to commit for tax increases right now.

Mr. PORCARI. I am not proposing anything.

Mr. WILLIAMS. I yield back, Mr. Chairman.

Mr. SHUSTER [presiding]. Thank the gentleman.

And with that, Mrs. Napolitano is recognized for 5 minutes.

Mrs. NAPOLITANO. Thank you, Mr. Chairman.

And I am glad that we have an opportunity to go over some of the issues that are very important to my district and for California.

Secretary Porcari, there have been very some potential successful RRIF applicants in the program that raised some questions to me and to some of my colleagues because of the length of time of the review, the inefficiencies in the process, the lack of staff authority, the lack of communications, and other processes. In 2012, $83,710,000 were loaned to the Alameda Corridor Transportation

Authority, ACTA, in California. It took them 33 months to get that loan. When they applied, it was during the recession, and there were problems with being able to pay the loan because the ridership was down, and apparently, they were requesting some relief to be able to refi their loan.

Do you believe there have been problems with the program? What are you doing to fix them? The statute gives DOT 90 days, but it doesn't begin to count until the application is deemed complete. Thereby, it took 6 months for their application to be deemed complete, even though there were no additional information requests to the ACTA. Are we working on being able to expedite, cut the timeframes? Do we have enough trained and experienced personnel to do it in your staff? And what should be the time limitation between the submission of an application and then of course the deemed complete portion of it? Because one barrier for some applicants may be the costs also for the transaction. And if you would explain also, if you can, in the short frame time what they are, what those costs are, and why they may change during the RRIF approval and negotiation process.

Mr. PORCARI. Thank you, Ms. Napolitano. I will try to unpack that series of questions.

First, as you know, the Alameda County Transportation Authority refinancing was, as you point out, through a very difficult economic time. Every one of our RRIF loans, as I mentioned, has to stand on its own legs financially. It is an incredibly important corridor for national trade. But it is one where the refinancing as first proposed did not make sense and from my perspective was not approvable because of some of the financial issues. It took some time to work through that given the size and scope of the project, and again, the national importance of that corridor to domestic and international trade.

We clearly understand that there are process improvements that make sense and that we can do. Thirty-three months is not the norm. But that is a project that, as originally submitted, needed substantial work together to get to an approvable state. Now, there are specific steps within the RRIF loan application process. I will be happy to go through those. But maybe the most important one is the independent financial adviser, who on an independent basis is evaluating the creditworthiness of that specific application. And that creditworthiness review often takes a number of back and forth rounds and modifications to the proposal before we can get to a point where it is approved. We have been—tried to be very good stewards of the public trust in only approving RRIF loans that make sense. We have a lot more capacity to approve RRIF loans. We do think that we can front load the process better than it has been done in the past, where we can get to a complete application faster. And I think that is really the key to having a better process.

Mrs. NAPOLITANO. Should there be a time limitation between the submission of the app and the deem of complete?

Mr. PORCARI. Well, before the application is deemed complete, I can think of several examples of RRIF loans that simply didn't have enough information to act on. And if we were required to deem them complete before the applicant supplemented that information, those loans would have been denied. So I think that there is a balancing act there in how quickly we can get to deemed complete. It is in our interest to do that, too.

Mrs. NAPOLITANO. Can you quickly address the barrier for some applicants for the costs issue?

Mr. PORCARI. Sure. Especially for the smaller RRIF applicants, I believe the smallest RRIF loan we did was on the order of about $85,000. So the transaction costs are very important, but especially important in the smallest ones. There is an investigation fee, which is one-half of 1 percent. That is what pays for the independent financial adviser. There is the credit risk premium, which is required by the enabling legislation. We don't have appropriated funds for RRIF. So the applicants have to pay that in the RRIF program. And basically, the less creditworthy the higher the premium. So that can be a substantial barrier.

Mrs. NAPOLITANO. Is there any way to be able to help the smaller entities? Because this could be one of the problems for the small entity being able to be successful.

Mr. PORCARI. Well, we do recognize, the RRIF program was originally set up, as you know, to help the short line railroads. And it is an incredibly powerful economic development tool for a railroad siding, a little bit of rolling stock for smaller businesses in particular.

We can focus on ways to minimize the transaction costs. But the things like payment for the independent financial adviser, payment of the credit risk premium, really aren't negotiable. And then of course the interest rate itself doesn't vary widely, but it does float based on I believe the Treasury bill.

Mrs. NAPOLITANO. Mr. Secretary, I would love to have—and Mr. Chair—any information to this committee on how we can help reduce those costs for smaller entities.

Mr. SHUSTER. Certainly. Thank you.

Mr. Webster from Florida is recognized for 5 minutes.

Mr. WEBSTER. Thank you, Mr. Chairman.

Thank you for this meeting. And I had a question about something local to Florida. There is an innovative, groundbreaking private-sector project underway called All Aboard Florida. And it will bring not only modern passenger travel rail from Miami to my hometown of Orlando, but also be great for economic development and also just great employment opportunities as well. Are you aware of that project?

Mr. PORCARI. Yes, I am.

Mr. WEBSTER. I think it is probably the only green filled passenger rail project that will be completed here in the next few years. Is there anything that you believe DOT could do in order to help that project along and move it forward quickly and also without unnecessary delays?

Mr. PORCARI. Well, it is one of the RRIF loan applications that we are looking at right now. I would say it comes in with some natural advantages in the sense that for the most part it is existing right-of-way, and has, for at least a portion of the line, the environmental clearances that are required. So those are big pluses. I know, and you will hear more about it I suspect on the second panel—but there are more—there are some right-of-way and other issues to be worked out. But overall, there is a real need. This is a great example of, for the most part, what would be continue to be a shared use corridor, where both freight and passenger activity can co-exist very well. I don't know of any show stoppers for the proposal. But I don't know enough of the details at this point to know that there might be some. But in general, we welcome the proposal. We know the need is great. And for a system that could serve in phases or all at once, Miami to Orlando would be a big boon to the State.

Mr. WEBSTER. Just as a side note, I am familiar with TIFIA. I am not as familiar with RRIF as I am with TIFIA. But people seem to like TIFIA. People don't like RRIF. Is there a way to come up with a hybrid program that would be more modeled after the TIFIA program?

Mr. PORCARI. One of the reasons that people like TIFIA is because they are not paying the credit risk premium. In RRIF they are. And again——

Mr. WEBSTER. This is more also there is just some objections to the—it is kind of cumbersome in the way it is set up.

Mr. PORCARI. I think the point is well taken. And we know that in terms of re-engineering the process that we can make it both an appropriately scrutinized process that includes the independent financial review, but we can also make it a better process. And as I mentioned, front loading—everything else being equal, doing more work together with the applicant upfront rather than having a consecutive process where you are asking them questions or sending them requests for information and then providing it——

Mr. WEBSTER. That is what I heard, there is like this back and forth that seems unending.

Mr. PORCARI. We are not interested in turning this into the consultants full employment act. What we would like to do is make it both a responsive and responsible process.

Mr. WEBSTER. Thank you. Yield back.

Mr. SHUSTER. Thank the gentleman.

And the gentleman from Minnesota is recognized for 5 minutes, Mr. Walz.

Mr. WALZ. Thank you, Mr. Chairman.

And thank you, Mr. Porcari, for being here.

I represent a small city of about 110,000 people in southern Minnesota. It also happens to be the world's premier medical destination, Rochester, Minnesota, and the Mayo Clinic. They have 2.75 million visitors a year, generating $10 billion of economic activity. They employ 40,000 people, which is more than Chrysler's entire workforce in the United States. They are fed by two highways that are at one point within 20 miles of the city two lanes that are on there. That is the situation. There has been a concerted effort of local, State, private partners to build intercity rail to obviously the destination of the Twin Cities and the airport, where the bulk of those 2.75 million people fly into. My question as we go forward on this, and I often hear it appears like when we talk about these things that some of my colleagues believe our best days are behind us. We have economic engines that are outpacing anything in the world. We have innovation that is out-innovating anybody else in the world. What is holding us back is an outdated, outmoded transportation system that is going to take creative thinking. My question to you is, and I hear it, is, how does a city of 110,000 compete with a Miami, a Los Angeles, a Denver, the Eastern corridor here? How do we make those investments there, where I can guarantee you your return on the dollar is going to be higher than any place else you get? How do the programs, and I am glad to see the budget sets aside money, but how do regional planning authorities compete with the metropolitan planning authorities? And how are you envisioning that to make sure that multimodal intercity rail transport is available to the people in southern Minnesota?

Mr. PORCARI. Excellent question, Mr. Walz. First of all, the clinic is a great example of an anchor institution that is a major employment node that our transportation system, whether you are talking about highway or rail or aviation for that matter, really hasn't kept up with. And transportation is economic development. At the end of the day, this country was built on tough investment decisions in transportation infrastructure that our parents and grandparents and great grandparents made. And I think what you are pointing out is, as new employment nodes emerge, we have an obligation to serve them as well. I am familiar with the discussion about passenger rail service to the facility. It is a great example of what may be an emerging node that would later be part of a larger regional and national connection. And I mentioned city pairs is one way that it works. Major employment nodes is another. We don't see this as a zero sum game in the sense that with adequate baseline funding, there are emerging rail markets all over America that really can be served and can be served very well. And for families, for patients, for others that want transportation choices and don't want to have to drive, it would give them those choices. So we see that as a great example of how an intercity passenger rail program that operates on various levels, regional, local, and true high-speed——

Mr. WALZ. How do we get away from the chicken and the egg scenario that our local private partners are waiting for the commitment and the investment, and then we keep hearing we need to see that local commitment going? How do we get started and break this logjam? Because the Chamber is all in. Labor is all in. I mean people are all in on this thing. But we are caught in this dilemma that, well, how do we know the Federal Government is going to be there to do it? This is the case of you can take your ideology and throw it out the window on this one. This is going to be a public-private partnership. Without the Federal Government and the State government, it won't happen. Without the private sector, it won't happen. How do we get there? What is the catalyst?

Mr. PORCARI. Well, we will be happy to be the convening group for that. But as you point out, that is a very likely candidate for a public-private partnership, where there are private investment opportunities, private redevelopment value capture opportunities. It will take some substantial level of public investment, most likely at both the State and Federal level, to make that happen. So if you think about three parties, private sector, State, and Federal, it will likely take all three of those parties for that service.

Mr. WALZ. I look forward to working with you. I think it is an incredible opportunity to make it happen. Thank you.

Mr. SHUSTER. Thank the gentleman.

Mr. Hanna is it recognized for 5 minutes.

Mr. HANNA. Thank you, Mr. Chairman.

You said that you believe in RRIF loans. You think it is a good process for the most part, problematic in many ways. And you have identified ways that you think it should be changed. Things go concurrently, not consecutively. But yet in your 2014 budget, you have made no changes in the process. Perhaps that is not a relevant way to go about it. But specifically, what would you do differently than you are doing? Because there is no indication that there are any changes being made.

Mr. PORCARI. Some of the same principles and practices that we have applied to the President's dashboard process—if you are familiar with that, we have taken Projects of National and Regional Significance and greatly reduced the timeframe, in some cases from a 5-year environmental document to 14 months, for example.

The principles are things like concurrency. You don't need to do everything consecutively. If you can chart it out and do the processes concurrently——

Mr. HANNA. Right. But you have not made any changes in the program, but you intend to make changes in the program, or you just think that it is something you can do with the process?

Mr. PORCARI. The program is a work in process. And I would point out one other part, that I don't think we have done the job we need to do with the RRIF program, and that is reaching out to potential users of it. You know, we talk to the railroad industry, and we talk to railroad users. That is fine. But State and local economic development officials are actually the ones that could probably best use it. It has been a little bit of an eye opener to see that, for the most part, they don't even know about the program.

Mr. HANNA. Let me ask you about another point that Chairman Shuster brought up, and that is the elasticity of demand for the product that you provide through, for example, Amtrak. And you indicated you weren't aware of when they go back and check demand versus pricing and how that is all done. But—and I think there is wide agreement here that the public has a large role to play in financing these things that are generally a public good and couldn't survive without public money. Everybody gets that.

But how, on the other hand, can you justify additional public money without constantly looking at the demand-supply equation that exists out there? And clearly, there is—demand and supply are mismatched here, since we know that ridership is increasing, and yet it would seem as though that we are not getting the advantage of the elasticity of demand, which allows the individual using the service to pay more and I would argue a fairer share of the benefit.

Mr. PORCARI. Mr. Hanna, I would be happy to get the committee specific information on how and how frequently and by what process Amtrak evaluates their fares. I can tell you as a frequent Amtrak user, it seems to me that they are taking advantage of pricing opportunities wherever possible.

Mr. HANNA. But yet you don't know when they do it or——

Mr. PORCARI. I don't offhand, but we would be happy to get that information for you.

Mr. HANNA. Thank you very much. I yield back.

Mr. DENHAM [presiding]. Thank you. Mr. Sires.

Mr. SIRES. Thank you, Mr. Chairman.

You know I ride the Northeast Corridor just about every week. And the other day we had a bunch—a group of Members ride the corridor. And they pointed out to us some of the areas that we could work on to make it faster. But one of the things that I thought of as we were speaking is we are going to be making hundreds of millions of dollars of investment to save 4 minutes or 5 minutes on some of these turns. It just seems to me that it is very difficult to make a decision to spend that kind of money to save 4 or 5 minutes. Yet, you know we keep growing.

I know I have been involved with light rail and so forth in many areas for many years. People don't want an increase in trains going by in their tracks, because people have moved in. Some of the old track, you cannot activate the abandoned tracks. So I don't know what you are going to do by the year 2050 to move all of these people, the 100 million people and the freight and everything else, because it seems the communities are part of the problem. And obviously, in our area, as being so congested, the investment to save 3 or 4 minutes is very hard because I can see some of the other Members saying, why should they spend $300 million to save 4 minutes? And I understand it.

And my friend from Maine he wants to take away the bridge in New Jersey, which has 260,000 people work because of those ports that come through there because of the ships.

So I don't know how you are going to do this. And we are not making an investment. The President makes—he creates the transportation trust fund, and it seems like it is a one-shot deal. There is no real long-term vision for this. So, you know, I don't want to be in your shoes in 2050.

Mr. PORCARI. A couple of things, if I may. One, time savings is important. And you generally shave off a couple of minutes at a time. It is not a quantum leap.

But what you get with that is even more important, which is first of all reliability and on-time performance, which in turn drives more ridership. And you also tend to get new capacity as part of that, too. So while the attention may be on the time savings, it is at reliability in terms of on-time performance and the capacity that is the big payoff.

I would also point out in your Northeast Corridor example, the Northeast Corridor commission, which is the State DOTs and the other stakeholders, there is a long-term master plan process going on right now looking at that very issue of greatly increased capacity, how you get down to the specifics of providing that capacity, and it is a very collaborative effort of all the participating States.

So while we have one eye on today and on-time performance and maintaining the system that we have, we are also paying attention to the future knowing that these major investment decisions sometimes take decades to do, and we need to tee those up and make sure they are appropriately scrutinized.

Mr. SIRES. Do you look at abandoned lines in terms of maybe it is easier to go activate the abandoned lines of trains, tracks?

Mr. PORCARI. Using the Northeast Corridor as an example, there are no abandoned lines that I am aware of that would have adequate capacity, that don't have at-grade crossings, that wouldn't be going through established residential neighborhoods or some kind of fatal flaw.

There are opportunities for both passenger and freight rail and abandoned crossings. Many of them that have been converted to trails, for example, can support both rails-to-trails and rail service. But for the kind of capacity you are talking about for mainline service, I am not aware of any right-of-way that is magically out there.

Mr. SIRES. OK. Thank you very much.

Mr. DENHAM. Mr. Duncan.

Mr. DUNCAN. Thank you, Mr. Chairman.

And Mr. Secretary, thank you for being here with us and the job that you do. Let me just ask you this. There seems to be pretty widespread agreement that the RRIF loan process is too cumbersome, too bureaucratic. And I wasn't here for most of your testimony, but I think I heard you say that you agree that it needs to be improved, speed it up, whatever.

I notice that there are only seven RRIF loans that have been made since 2010, and how many applications are pending? Maybe you testified to that already.

Mr. PORCARI. I have not; it is a good question, Mr. Duncan. There are eight applications pending, ranging from the high end of about $3 billion to about $4.5 million. So kind of running the spectrum of different projects.

Beyond that, we know that there is interest in additional projects as well, ranging from very small ones like a potential port project to much larger ones. So while there are these eight under review right now, there are other potential ones as well.

We do agree that this is the one program where we have more official capacity than applications and it is a little bit frustrating for all of us that we know that we could be out there building more infrastructure.

Mr. DUNCAN. Let me ask you this. I noticed that of those seven loans since 2010, they totaled a little over $800 million and that two-thirds of it, $563 million I think went to Amtrak. And I am told that the current Amtrak subsidy this year is about $1.4 billion and that that is a little less than half of the total operation. Is that roughly accurate?

Mr. PORCARI. I would have to go back and check that.

Mr. DUNCAN. And I also am told that Amtrak does get some subsidies, although much smaller, but some from various State governments. Would you happen to know how much they get from the various States?

Mr. PORCARI. The States for rail service provided in the States are paying Amtrak. There are standalone separate deals for those. One of the provisions of the PRIIA legislation was actually to rationalize those and have the States pay a proportionate share. Under that, some States will be paying more than they are now; some States will remain relatively the same.

But, yes, there are multiple examples where States are paying for service, and that service would not be there without the State support.

Mr. DUNCAN. Apparently, there is a private-sector group, the Florida East Coast Rail Group, that sees some real opportunities or possibilities for the route from Orlando to Miami. And many years ago, when Graham Claytor headed Amtrak, he told me that they had a study at that point that if they were able to add another route, that the next their most preferred route that they thought would be the most used would be from Harrisburg, Pennsylvania, down through Washington, Baltimore, Roanoke and all down through my hometown of Knoxville into Atlanta.

Have there been any studies or any updates or have you just—in recent years as to what lines might show some potential if Amtrak could get some assistance from the various State governments and so forth?

Mr. PORCARI. Yes, one of the things that high-speed rail funding over the last few years has funded has actually been corridor studies and corridor environmental work. So extensions of existing corridors, for example Richmond to Charlotte being one example, but other corridors as well. Using Atlanta as kind of a hub, there is a lot of interest and activity and some level of planning taking place on larger connecting corridors in and through Atlanta.

Mr. DUNCAN. Before my time runs out, you said there is no segment of the transportation world that operates on its own, yet the story—the difference between Amtrak and the story of freight rail is dramatically different. And freight rail, for instance, they have told us that they have spent $25.5 billion just last year alone updating their own—privately updating their own infrastructure. What subsidies do you consider that freight rail is receiving at this time?

Mr. PORCARI. First, freight rail has been a great success and great example of private investment. And as I mentioned, I think that our private freight rail system is the envy of the world. Some of the public investments in it, recently through TIGER grants for example, have been co-funding the National Gateway Project with CSX that cuts through—goes through five or six States. I mentioned Tower 55 as an example in Texas. Colton Crossing in California. Those are just a couple of public investments where national bottlenecks would not have been eliminated without both private and public funding.

Mr. DUNCAN. All right. Thank you very much.

Mr. DENHAM. Thank you.

Ms. Esty.

Ms. ESTY. Thank you, Mr. Chairman.

Thank you for holding this very important hearing.

Thank you, Deputy Secretary Porcari. I appreciate your testimony. Before I get to my questions, I want to just flag for subcommittee members something that is happening in Connecticut where these issues are tremendously important. And the State of Connecticut has launched a Web site called Transform Connecticut, and it is accessible to all users. I have gone on it. We are getting wonderful suggestions from all sorts of members of the public, stakeholders, and it is an easy access portal and something that we might want to look at more broadly in our—as we do this planning and innovation for improved passenger rail service.

Last week I had the opportunity to meet with the Connecticut Metro-North Commuter Council, which has been very useful in doing surveys of users and giving us input which I will certainly send along to you.

We all know that there is crying need and demand for this service. The question is, how are we going to pay for it? And I support the concept of innovative financing. I am a fan of and cosponsor of the infrastructure bank, but we need to figure out how to make this actually happen.

In Connecticut, as we know, we had quite recently a derailment that shut down the entire system. And I would like to point out that over the last 10 years, Connecticut has invested $3.2 billion in this line, because Connecticut owns this portion of the line, not Amtrak. But our Transportation Commissioner Jim Redeker, who is also the current chair of the Northeast Corridor Commission, estimates an additional $4.5 billion is needed to improve just our State's portion of that line to bring it to a good state of repair.

I want to thank you, Commissioner—Deputy Secretary, for announcing last fall the $120 million high-speed rail portion. But, unfortunately, our chairman was stranded on that portion and saw how much that is in need of still being upgraded as he was stranded about a month ago on that line. I have to tell you, however, that our are State folks from DOT say they still do not have approval to spend those funds. It is my understanding that they are trying to coordinate and take three different grants and combine them into a single project. When can we anticipate receiving approval?

Mr. PORCARI. First, Governor Malloy and Commissioner Redeker have been great partners in this, and we appreciate the vision that Connecticut has as part of a larger system.

We cannot simply take three grants and combine them. If you are familiar with grant procedures and the audit requirements, while projects can dovetail with each other, we need, from an accounting point of view, to separate the grants and keep them separate. We have been very scrupulous and careful in doing that.

We do think—Connecticut is probably a good example of a State where a higher level of interaction and perhaps some training and maybe even shared services or loaned personnel would probably benefit that process.

Ms. ESTY. Well, that leads to my next question. Our State folks are pointing out that the Northeast is the only region with FRA does not have a PMO overseeing these projects, and our State staff is worried about their capacity to do this oversight. And I think you just flagged that as part of the issue. What sort of support might be available for States like mine for project management and oversight to help us in this process?

Mr. PORCARI. To be honest about it, the project management oversight capacity of the Federal Railroad Administration is strained right now. It is a program that we take very seriously. We have tried to work closely with Connecticut on the implementation of these grants. But given the financial pressures, including sequester, on our FRA staff, we need to husband those resources pretty carefully.

I don't want to make a promise that we may not be able to fulfill. What I will commit to is, I will talk to Commissioner Redeker and explore ways that we can make this work faster. I know the will is there is both sides, and these are not will always easy projects. But we need to get them done and on time and on budget.

Ms. ESTY. I appreciate that. Given the large amount of upfront capital that is needed for these rail and infrastructure projects, can you project for us what a percentage of the financing that we should expect from the private sector if we are going to have a successful innovative project, what would that look like in your mind?

Mr. PORCARI. I can't give you a set percentage. It certainly varies from project to project. For example, projects that have good station development and redevelopment possibilities would typically have a much higher percentage of private investment. If there are other uses of the right-of-way along the route, that too would tend to drive more private investment.

So it is so project specific that I really can't give you a percentage. But I will tell you we are highly incentivized to maximize the private interest and investment in projects. First of all, it is a good sign that it is a healthy project. But beyond that, it helps us deliver a better project that serves the public better.

Ms. ESTY. Thank you very much.

Mr. DENHAM. Thank you, Mr. Porcari.

That wraps up our first panel.

Mr. PORCARI. Thank you, Mr. Chairman.

Mr. DENHAM. Mr. Mica I think has one final question.

Mr. MICA. Good try. Good try. So many questions; so little time.

Welcome back, Mr. Secretary. And I enjoyed our working relationship. We have had some great successes. I would have actually spoken for you to be Secretary, but I thought it would have hurt your chances. I guess it didn't work out either way. Maybe I should have spoken against you. I will have to reconsider. But we look forward to having a new Secretary and new leadership.

First of all, the productivity of the RRIF process, I heard Ms. Napolitano talk about 33 months. You said you had eight—let's see, you have eight pending applications?

Mr. PORCARI. Yes.

Mr. MICA. How many people work there at RRIF? Five, I am told? Five, six? Half a dozen?

Mr. PORCARI. Approximately that.

Mr. MICA. Three quarters of a million dollars a year expenditure in processing? In 2012, they did two loans; in 2011, three loans; 2010, two loans; 2009, three loans. It doesn't sound like a very productive shop. And eight pending?

Mr. PORCARI. In addition to the pending loans, I would point out that an important part of the workload is the previously approved RRIF loans, where in some cases, we have had to rework and refinance.

Mr. MICA. If this was the private sector, you would be out of a job in an hour. You ought to look at the private sector maybe processing some of these. This is unbelievable. When she told me 33 months on that loan, it is just not very productive. And then Mr. Duncan pointed out—what did you say at the beginning? You had 29 loans, 29 RRIF loans you spoke to in your opening statement?

Mr. PORCARI. Yes, I believe.

Mr. MICA. In what period? Well, I have got back a decade about 30. So it doesn't sound, again, like a very productive shop. It took 60 loans just to get to the amount of the one Amtrak loan, the $562 million. And I am not sure that I would have loaned them any money. Was that for equipment?

Mr. PORCARI. It was for equipment——

Mr. MICA. Did you check their past history of buying equipment? Their Acela trains? That they misdesigned them? And then they had their tilt trains to go faster.

Mr. PORCARI. I am very familiar with that.

Mr. MICA. They improperly designed them. I am sure you corrected that. Because if they went too fast, they would hit the other trains, so they put metal wedges in. So we now have trains that now work. Is this, I hope, a better purchase?

Mr. PORCARI. Mr. Mica, I am sure you would be pleased to know that the operating profit on the Northeast Corridor made for actually a very solid RRIF loan for the locomotives.

Mr. MICA. Just for the record, too, I want to put in the list of FRA Administrators that doesn't quite equal the number of RRIF loans, but they did for about two RRIF loans per FRA Administrator. A question was asked of a witness of a previous panel for that.

So, Mr. Chairman, I would like that made part of the record. And also the record of not processing loans and the inactivity of the RRIF process.

Mr. NADLER. Would the gentleman yield for a question?

Mr. MICA. Not right now, but if he gives me time at the end, I will go into that.

The other thing, too, we are talking about financing. When is the administration—when are we prepared to open up the Amtrak monopoly on passenger rail service and let the private sector compete in some of these routes? Are you ready?

Mr. PORCARI. We have not, to my knowledge, seen any specific proposals for that corridor.

Mr. MICA. Well, first of all, folks came in at the high-speed rail time. They wanted to do the Northeast Corridor. They were summarily rejected with their proposals, and I would be glad to give you folks—the Northeast Corridor, this Member here from Connecticut—it is an embarrassment; 68 miles an hour from New York to Boston. The chairman who just left—he didn't want any mud splattered on him today—he just told me he was stuck an hour and a half going up to Connecticut to visit John Larson. Here is one I got: 261 passengers Sunday were delayed 14 hours. This is 14 hours trying to get from New York to Richmond. It took them almost a half a day to get there.

I mean, this just the other day. I am telling you, we have a Soviet style train operation. The private sector will invest if they are given some incentive. That incentive is a return on their investment, and you are not prepared to do that. The long-distance services are a joke. Here is the long-distance services. These are the money losers. This is what Amtrak is involved in; right?

Mr. PORCARI. Are there specific cross-country routes that you would propose to eliminate?

Mr. MICA. Pardon?

Mr. PORCARI. Are there specific cross-country routes that you would propose to eliminate?

Mr. MICA. First of all to get the private sector to compete for them, and I would look at redoing the schedules. They don't have to fly like planes every day. Airlines adjust their schedule. Amtrak can't. They bring in a conclave of chefs to cook up a more expensive menu to lose more money on their food service, which is mostly on the long-distance services.

The top three all increased their losses in the last year, including in addition to that, autotrain to Florida, which serves my district. But they are all big money losers. When the private sector comes in, they can make money. If you work with them and give their some incentives and they have an opportunity to return. But the Soviet style thinking and operation of Amtrak prohibits us from moving forward into the 21st century.

Some of the others went over. Can I get a minute of grace? Just one more question. We worked very carefully together, and he did a great job—I will give him a compliment—the biggest carrier of people in the United States is not airlines and certainly not passenger rails. It is private passenger bus service, intercity, mostly. They run about 750 million people a year.

After much work Secretary Porcari did, the private carriers located at Union Station over there on the second floor all co-located. So the Greyhound riders and other people didn't have to meet in Chinatown or some place else. They could have an intermodal connection to the facilities. They were not second-class citizens. We need to get people to use public transport if it connects.

I heard from folks from Birmingham that they are building an intermodal facility there. I would like you to check and see it if there are Federal funds going into that, because they are excluding the private carriers. The private carriers are our biggest carrier. They make money. They pay taxes, and they move more people than any other mode. They are good citizens, and they shouldn't be denied access to a Federal facility, whether it is in Orlando—we have an issue there—Birmingham or any other city; right? Right? My question was: Right?

Mr. PORCARI. I missed the question—the lead up to the question. I will being happy to answer any specific question.

Mr. MICA. I thought it was fairly simple. You have an intermodal facility. Private carriers should be able to access——

Mr. PORCARI. I will be happy to look at the Birmingham facility. I am not familiar——

Mr. MICA. Shouldn't that be a Federal policy?

Mr. PORCARI. I don't know. I would be happy——

Mr. MICA. You don't know? They are paying taxes. They are making money. They are providing the biggest connection of transportation for passengers in the United States, and you don't know whether we should let them in a Federal facility?

Mr. PORCARI. What I am saying is I am not familiar with the Birmingham facility, and I would like to actually know the circumstances before I answer. I just don't know.

Mr. DENHAM. We look forward to getting that information.

Mr. Nadler.

Mr. NADLER. Thank you. I just had a follow up to some of the comments by our distinguished former chairman. Number one, on the private sector taking over the long-range routes, isn't it a fact that Amtrak has those routes because the private railroads all gave them up because they were losing money on them hand over fist?

Mr. PORCARI. Yes.

Mr. NADLER. And I am not aware of any company that thinks they could make money running those long-range routes. Maybe on the Northeast Corridor, but certainly on some of these long-range routes there is much smaller ridership.

The second thing I wanted to ask you is, we talked about on the Northeast Corridor the average speed between Boston and New York is 68 miles an hour, which is a lot less than between New York and Washington. But isn't one the reasons for that that in a large portion of the route from New York to Boston, the track is owned by Metro-North, that is a commuter railroad, and the Amtrak train has to chug along behind a slower commuter rail because of the ownership priorities?

Mr. PORCARI. That is true.

Mr. NADLER. So, aside from building a new line or maybe expropriating it from the commuter railroad, is there anything we can do about it that?

Mr. PORCARI. The basic answer is no. What we can do is make infrastructure instruments to maximize the capacity that is out there.

Mr. NADLER. Adding an additional line in effect. Thank you.

Mr. MICA. Will the gentleman yield?

Mr. NADLER. Sure.

Mr. MICA. Well, again, I think when we took over passenger rail service in 1971, there was a need for it. We have also taken over freight, and they have done fairly well with the private sector. I think some of these routes do need to be opened, if the administration was willing or Congress was willing, to give some private opportunity for private-sector competition. And you have to look at the schedule of service. You know, you don't want them just to cherry pick. We would have to look at the subsidization, look at what it is costing us now. I think that would be a fair route. I would be willing to work with the gentleman on something like that.

But the Northeast Corridor, and I never did get to this, has incredible potential. In a report that was handed out to the committee—did you see this, Jerry? They give back about $94 million. Well, that is overall in revenue from real estate. I am told—I had some private-sector folks look at this and the value of your real estate, you should be getting about a billion dollars a year return, a billion dollars. That is what they are leaving on the table. That could finance a lot of improvements in the Northeast Corridor. That is one of the most incredibly valuable assets in the United States of America. I would be willing to work with the gentleman——

Mr. NADLER. That we ought to look at. And I would be interested to know where that revenue would come from.

Mr. MICA. From the utilization of the right-of-way. They get $24 million from the utilization of the right-of-way. That is peanuts. If

I had a trillion-dollar asset and I was getting $24 million return, I should be put in the nuthouse.

Mr. NADLER. Mr. Mica, we should certainly look at that in the Northeast Corridor and anywhere else where it is doable. But I was just expressing my doubt that on most of these long-range routes, you have a potential or that any private company could make a go of it. The Northeast Corridor is quite different. And there may be some other corridors.

Mr. MICA. The Northeast Corridor, too—if the gentleman would yield—you could take an operation like the route in England that Branson picked up. It went from $300 million a year Federal UK subsidy to a $100 million profit plus paying dividends to investors. The ridership went from 14 million to 28 million on that one north-south route. That is almost equal to the entire ridership of Amtrak last year, which it is about 31 million. Are you aware of that?

Mr. NADLER. Yes.

Mr. MICA. Thank you.

Mr. DENHAM. Seeing all debate has ceased, Mr. Porcari, I just wanted to clarify one final point before we go to the second panel. It is true that Amtrak has above the rail on the Northeast Corridor profitability of around above $300 million.

Mr. PORCARI. Right.

Mr. DENHAM. Isn't it also true that over 95 percent of the Northeast Corridor or Amtrak-owned infrastructure 95 percent is on the Northeast Corridor.

Mr. PORCARI. That is about right.

Mr. DENHAM. It is also possible, we could use that above the rail profit as a dedicated funding source for the Northeast Corridor?

Mr. PORCARI. Yes, Mr. Chairman, it would cover a portion of the needs.

Mr. DENHAM. And as we look across the Nation, other opportunities, we would be looking at intercity rail, we would be looking at passenger rail, and in some areas, even high-speed rail, where you have significant profits that would guarantee a return for the investor to be able to pay back those loans.

Mr. PORCARI. Over the long term, there is a likelihood that other corridors would have the kind of ridership that would generate that operating profit. You would be building up that ridership over a substantial period of time.

Mr. DENHAM. In an area where you have—I will use my area, for example—proven ridership, where we have above-the-rail profitability on the ACE train in the Altamont corridor, if they were going to expand and have dedicated track, they could actually apply for a RRIF loan utilizing that above-the-rail profit as security for——

Mr. PORCARI. That is right. And if the independent financial advisor believed it made business sense, that would be a good RRIF loan.

Mr. DENHAM. Thank you. Well, we appreciate your testimony.

Mr. MICA. Mr. Chairman, just one thing on that. That is above the rail, but the record should reflect also I believe that most of the $1.4 billion does go to the Northeast Corridor. The $562 million RRIF loan also went to the Northeast Corridor equipment. So there has to be some calculation of the math and what is in the rail in addition to what is above the rail.

Mr. DENHAM. Thank you. We thank you for your testimony here today.

Mr. PORCARI. Thank you, Mr. Chairman.

Mr. DENHAM. At this time, we will go to our second panel. I would like to welcome our second panel, Ms. Beverley Swaim-Staley, president and chief executive officer of the Union Station Redevelopment Corporation; Mr. Frank Chechile, CEO, Parallel Infrastructure; and Mr. John Robert Smith, former mayor of Meridian, Mississippi, and president and CEO of Reconnecting America.

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 a part of the record, the subcommittee would request that you limit your oral testimony to 5 minutes.

Ms. Swaim-Staley, you may proceed.

TESTIMONY OF BEVERLEY K. SWAIM-STALEY, PRESIDENT AND CHIEF EXECUTIVE OFFICER, UNION STATION REDEVELOPMENT CORPORATION; FRANK CHECHILE, CHIEF EXECUTIVE OFFICER, PARALLEL INFRASTRUCTURE; AND JOHN ROBERT SMITH, COCHAIR, TRANSPORTATION FOR AMERICA; PRESIDENT AND CHIEF EXECUTIVE OFFICER, RECONNECTING AMERICA; AND FORMER MAYOR OF MERIDIAN, MISSISSIPPI

Ms. SWAIM-STALEY. Mr. Chairman, I appreciate the opportunity to be here this morning. My name is Beverley Swaim-Staley, and I am the new president and CEO of Union Station Redevelopment Corporation, or USRC. Union Station, of course, was its own public-private partnership when it was redeveloped back in the 1980s. Congress passed a law and requested that the Secretary of Transportation in 1983 establish USRC to manage Washington's Union Station through the redevelopment in such a manner that would protect the historic character of the building, maintain it as an intermodal transportation facility, and permit it to operate as a commercial entity without subsidy from the Federal Government.

So I have had the privilege of being the president and CEO for just 10 months, but I have been asked to be here talk about my experience in Maryland where I served as the CFO and deputy secretary and secretary of transportation for the past 3 years. I had the pleasure there of doing some innovative financing projects, and I will share a few of my observations with you here today.

One of our projects you may be familiar with. It is a highway built very close to here, the Intercounty Connector in Montgomery County. It was one of the most expensive and largest highway projects built in the last 5 years, and it was an innovative financing project. We used seven different sources of funding for that project. Three financial tools that were available to us from the Federal Government and four different State tools that were available to us at the time. That project has been completed and is underway.

We had two other very large projects that we needed to fund. One was at the Port of Baltimore. The port, obviously, is a major economic engine in the State of Maryland. We needed to rehabilitate our container terminal in order to be able to handle the larger ships that would be available as a result of the Panama Canal expansion. We did not have the money to do that. So we entered into a public-private partnership 3 years ago with Highstar Capital and Ports America. We leased the port for 50 years. They not only came in and within about 2½ years were able to rehabilitate the port, bring in the additional cranes. They are now open and operating 2 years ahead of the schedule.

A second innovative financing project that I had the privilege of executing was with regard to travel facilities that were on I–95 in the northern part of Maryland. Those facilities also were a major economic generator to the State of Maryland, but they were over 40 to 50 years old and in bad need of repair. What we were able to do was lease those to a private entity for 35 years, and they came in and were willing to invest and are currently investing over $200 million to rehabilitate those facilities. So, with those two projects together, we were able to bring in almost $2.5 billion of private investment, long-term investment into the State of Maryland.

So those were some of the examples that I am familiar with in terms of what we can do through innovative financing. The observations that I learned as a result of that that I would like to share with the committee today. First, every project is different. There is no one-size-fits-all approach. Each project must be custom fit based upon the financing components of the projects and the benefits to the users.

Second, all the financing, public or private, must have a creditworthy repayment stream. There is no free money. The money must be paid back. The private investor, as it has been mentioned several times here today, also expects a return on their investment.

Third, funding is the final solution. Before the financial equation can be solved, you have really have to know what the parameters are of the project. The first two questions to be answered are: Is the project viable from an engineering and constructability standpoint, and is there someone that wants the project badly enough to pay for the benefits?

Fourth, define the elements of the project for which there is a direct connection between benefits and cost. For example, in private, in many transit-oriented elements, you start with the parking garage as the first vehicle for financing.

And fifth, can the revenues and benefits from single assets such as a parking garage be leveraged to finance all or other portions of the project?

I guess I will have the opportunity to learn from these experiences hopefully in my new position as the president and CEO of Union Station. As I am sure you are aware, we are about to embark on another redevelopment of the station. That station has functioned very successfully through the past 30 years, but we are currently at capacity. We service not only Amtrak but commuter rail and also the largest subway in the system.

So we are undertaking right now the latest in the master plan redevelopment. And as I just said, the first thing we need to do before looking at financing there will be looking at exactly what the project is. But we will be looking at all the tools in the toolbox, many of which have been mentioned here today. Not only the Federal and State funding. We have many partners, but obviously value capture, tax increment financing, and whatever vehicles are available to us at that time.

I thank you for the opportunity to testify, and I invite you to visit Union Station and hear more about our plans.

Mr. DENHAM. Thank you.

Mr. Chechile.

Mr. CHECHILE. Good afternoon and thank you for this opportunity.

Chairman Denham, Mr. Nadler, and members of the subcommittee, I appreciate the opportunity to participate in this hearing, and I am pleased to share with you a private industry perspective on innovative financing approaches that can benefit the passenger rail industry.

My name is Frank Chechile, I am the chief executive officer of Parallel Infrastructure, which is an asset development and right-of-way management firm based in Jacksonville, Florida, and I am pleased to note the home city of our distinguished ranking member, Congresswoman Brown, who I understand can't be here this afternoon.

Parallel Infrastructure is a wholly owned subsidiary of Florida East Coast Industries and together with our sister company, Florida East Coast Railway, our heritage was established more than 100 years ago by Mr. Henry Flagler.

Although operated independently from one another, our companies are all focused on creating value from transportation opportunities, including associated real estate and right-of-ways. Together, we want to maximize the value of our own 351-mile rail corridor, which traverses through areas whose total population is just under 9 million people and stretches from Jacksonville to Miami and connects to three major seaports.

I believe that the lessons we have learned can be employed to provide a new source of financing for intercity passenger rail systems in our country. Parallel Infrastructure was established just 2 years ago and has quickly become a national player. By entering into innovative revenue-share agreements with right-of-way property owners, we help to monetize their underutilized real estate without interrupting their core operations. The result is increased revenue for a right-of-way property owner with little to no risk. In collaboration with our clients, and using our own capital, we take the lead in proactively leasing right-of-way land, deploying communications facilities, creating energy distribution systems, such as pipelines, and building advertising, parking, and storage structures.

In our short history, we have established asset development agreements with 28 freight railroads managing more than 5,000 leasing contracts over roughly 1,800 miles of railway.

Our business model is straightforward. We provide both the capital and resources to develop revenue-generating assets on a right-of-way property and share returns with the property owner. This frees the property owner to use their capital and the new revenue streams that we generate to improve their infrastructure. With more than 1 million miles of transportation corridors in the United States, the opportunity to earn revenues from this right-of-way real estate is significant. For example, assuming earnings of just $1,000 per mile from the activities I have described, a million miles of corridor would generate a billion dollars. While that number may sound ambitious, I will tell you that our own 351-mile corridor is generating about $50,000 per mile.

Proactive and aggressive right-of-way management, whether in the public or private sector, maximizes the value earned from real estate assets, provides additional recurring revenues for the owner, and allows an owner to access new capital by collateralizing predictable revenue streams.

For example, if a transit agency generates $10 million of annual revenue from their right-of-way, it can easily use that as collateral to secure $100 million in capital through financing transactions. So by unlocking the value of underutilized real estate and using a third party's capital, an agency is in position to leverage annuities to take on new projects.

Another benefit of these types of arrangements is for landowners to obtain access to these new assets to fill their own operating needs. For instance, Parallel Infrastructure recently leased space in our corridor to a leading telecommunications company who is building an advanced network for its own customers. Through our arrangement, our All Aboard Florida and Florida East Coast Railway sister companies can also access these assets for their own needs, such as deployment of positive train control and offering uninterrupted WiFi service to the passengers of our All Aboard Florida intercity rail service.

These examples—using existing assets to generate new sources of revenue—are one innovative way to finance passenger rail in the United States. When you look at intercity passenger rail systems, even in the well-utilized Northeast Corridor, Amtrak's passenger revenue and congressional subsidies combined do not adequately meet operating and capital expenditure requirements within the corridor. Amtrak's own estimates state that it will take up to 15 years to bring the Northeast Corridor to a state of good repair even if they received all their requested annual funding from Congress.

I believe that innovative private-sector partnerships can close the funding gap and help shorten this timeframe. The 2008 PRIIA Act sought to enhance the relationship between the States and Amtrak. PRIIA's successor should seek to strengthen those provisions and provide incentives that take advantage of private-sector expertise, where appropriate, particularly if they generate dependable revenue streams.

By aggressively monetizing ancillary assets through proactive right-of-way management and asset development, intercity passenger systems will be financially stronger, more viable, and better positioned to leverage steady revenue streams, revive dormant assets, and ultimately thrive in ways that have not been accomplished in the last 50 years.

I want to thank you for the opportunity to speak with you today, and I will be delighted to answer any questions or address any comments you may have.

Mr. DENHAM. Thank you.

Mr. Smith.

Mr. SMITH. Chairman Denham, Congressman Nadler and especially the two young folks that have joined us here at the podium, I served as the Republican mayor of my home town of Meridian, Mississippi, for 16 years and served as chairman of the board of Amtrak. I want to thank you for giving me the opportunity to share our thoughts about a subject that has occupied a good bit of my adult life, and that is how we take transportation systems—passenger rail in particular—and leverage the economic impact to our hometowns, whether they are large metropolitan areas or small urban places in rural America.

I think that conversations should be framed by three guiding principles. The first of those is that a national passenger rail system provides significant economic value. When we talk about a National Highway System or a National Aviation System, we speak in terms of the economic development impact that comes to the cities and regions that they serve. We should use the same lens when we look at a national passenger rail system.

More and more, people are using passenger rail to be connected to jobs, to health care, to education, and to tourism, which is the second or third largest industry in most States. Passenger rail connects senior citizens and college students alike. I have a letter from the president of Grinnell College in Iowa. He states that lacking the passenger rail connection to Chicago greatly hampers the growth and recruitment of that college and indeed the entire region.

I have a letter from the mayors from New Orleans to Tallahassee, Florida, seeking restoration of the passenger rail service they lost due to Katrina. They believe that the right passenger rail service along that corridor promises great economic impact to that growing, developing, thriving linear region along the southern gulf.

They recognize that the value is being part of a national system. That is why you see exciting projects like Union Station here in DC. It is not just Northeast Corridor trains that stop there. It is long-distance trains. It is corridor and State-supported trains as well. And when you cut service, you undermine the value of the entire system. When you expand service, you grow the value of the entire system. That value is sustained by investments in service and infrastructure to achieve a state of good repair. When infrastructure of passenger rail is not in a state of good repair, private-sector dollars remain on the sidelines.

That brings me to my second point. If you want a national passenger rail system in a state of good repair, you must have dedicated stable Federal funding. Rail is part of an intermodal network of roads, bridges, transit, aviation and rail. None of those modes cover their costs, and at full allocation, they all lose money. But all of those modes receive dedicated stable Federal support except for passenger rail. And that makes it nigh to impossible for the operator, in this case Amtrak, to make the long-term investment decisions it needs when it doesn't know it will be funded from one year to the next at any level. That level of future funding uncertainty means that the private sector will not be there at the table. So the dedicated stable Federal funding of passenger rail is a first step towards the innovative funding that you seek.

The third point is that investment in passenger rail stations and the property around them is ripe for innovative financing, and brings value to the entire rail system. I see it all over the country. Mayors who are Republican and Democrat are working with the private sector to invest in those rail stations and the surrounding property.

We did that in my hometown of Meridian, Mississippi, 20 years ago, when we built the South's first multimodal transportation center. The city invested $1 million, which leveraged an additional $5 million in Federal, State and private-sector investment. That project has leveraged today $135 million of additional public/private-sector investment within 3 blocks of that facility.

And it is not just happening in Meridian, Mississippi. It is happening in Normal, Illinois. It is happening in Lincoln, Nebraska, and in San Bernardino, California, and in Memphis, Tennessee.

I agree with members of this committee that the cumbersome RRIF loan program—from which the Florida East Coast Railway has submitted a request for a loan—must be retooled. If only 5 percent of the $35 billion of RRIF loan funds available has been accessed, it tells me it is entirely too complicated for the private sector to use.

TIFIA can be altered as well to bring in more private-sector dollars. So innovative financing is an important piece, but it supplements, it does not supplant dedicated, stable Federal funding. That is why I will provide a letter signed by mayors from all over the United States to this committee seeking a commitment to dedicated Federal funding to support a national passenger rail system. They understand the economic development that commitment of this committee and Congress would bring. And with your commitment, the private-sector dollars will follow your lead. Thank you.

Mr. DENHAM. Thank you. We look forward to seeing that letter.

First, Mr. Chechile, in 2012, Amtrak generated about $30 million in revenue from right-of-way-related activities. In your view, how does that compare to your experience in right-of-way management around the entire country? And additionally, what additional revenue potential do you see, if any, for Amtrak?

Mr. CHECHILE. That is a great question. Thank you. I think the best data point I could offer is that in our own corridor in Florida, we are generating approximately $50,000 per mile, which is very likely the best metric to use for evaluating how effective an organization is in its returns from real estate. That corridor goes through a population that totals roughly 9 million people. If we took that $50,000 number and applied it against Amtrak's more than 500 miles of corridor and made some adjustment for population—the population through which the Amtrak corridor traverses is four to five times the size of the population that our corridor traverses in Florida—you arrive at a value, just using a two to three times multiple instead of a four to five times multiple for the population, of roughly $50 million to $100 million as opposed to the $20 million or $30 million they are currently generating.

Mr. DENHAM. And what type of right-of-way-related activities would you foresee?

Mr. CHECHILE. Well, the activities that typically take place in a right-of-way are somewhat standard. And in fact, they oftentimes are already occurring. And indeed, the fact that Amtrak generates the revenues that it does is certainly admirable and a demonstration of the fact that the opportunities are already there. The opportunities are varied. And sometimes they are just using the real estate and leasing that space to adjacent landowners. But where the value really exists, and where the benefit of the private sector I think is greatest, is if there is the actual creation of assets, which in turn generate even greater returns.

So, for instance, the installation of telecommunications facilities, be they fiber optic conduits or cellular towers, or be they storage structures, car parking facilities, things that oftentimes are already present along the corridor but are not proactively pursued. Crossings in the corridor. Again, very likely do exist in the Amtrak corridor, are not likely proactively pursued. Pipelines are another popular infrastructure asset that you find deployed in a right-of-way corridor. And these are examples that we have in our own corridor in Florida. These are examples of opportunities we are working with other right-of-way clients around the country, and I think examples that all railroads already have in place.

And again, the distinction really is about effectiveness and whether the organization itself sees the real estate as that asset and proactively works to seek a return from it or instead is just reactive to any inquiry they receive and defers to—defers its use to the rail operations exclusively.

Mr. DENHAM. Thank you.

And Ms. Swaim-Staley, you know, these rail stations often become the focal point of a community. Great opportunities for private real estate development. How can Union Station and other stations around the country utilize private investment in expanding, redeveloping?

Ms. SWAIM-STALEY. Well, as I said, with regard to Union Station, we have not yet gotten to the stage, but certainly the first thing that you look at are the elements within the station development. So, for example, parking garages, whether it is at airports or any other facilities. And many transit-oriented development around the country, it is the first thing you look at because it is a great opportunity to not only pay for the parking garage, but to flex those dollars to use for greater, larger portions of the development. So you look at each and every activity that you have within a station. So, as I mentioned, at Union Station in particular, we have, as has already been referenced, we are the intermodal bus facility. We are the largest subway station. We also have the commuter rail. We have actually more commuter rail passengers than we have Amtrak passengers coming into the station. We have partnerships with Maryland, Virginia, and the District. We have two private developers that are involved, one which purchased the air rights and a second one running the current station. So we will be working with all of our partners, both public and private, to determine what both financing tools are out there that are available, what opportunities, as I said, we have to leverage from the additional economic benefit that we are going to generate. I am sure we are going to be looking at value capture, tax increment financing with our partners, really the broad spectrum of the tools. And depending upon what is really available at the time, whether TIFIA, you know, is still out there, if RRIF is still out there, we would probably be looking into whether those worked for our purposes or not as well.

So it is really about figuring out what elements you have within the project, what opportunities you can leverage, what elements would the private sector be interested in investing? Typically, in parking garages, things where there is going to be an immediate return, they will be very interested. In other places, you may have to rely more on public financing because you are not generating a benefit that is as attractive to the private sector.

Mr. DENHAM. Thank you. And specifically for Union Station, Amtrak is looking at $8 billion. Do you have specific financing that you are looking at for Union Station?

Ms. SWAIM-STALEY. Well, Amtrak announced their plan. That was for their portion of the plan. But as I said, the Union Station redevelopment would also then include development around the station; the air rights developer is also looking at financing. And at this point, we are trying to take the vision that was articulated that you are familiar with and really determine exactly what a revitalized Union Station would look like, what the components would be, where they would be within the air rights development and the other new development and the Amtrak redevelopment that is taking place. So we are not yet looking at the financing piece.

Mr. DENHAM. Thank you.

Mr. Nadler.

Mr. NADLER. Thank you, Mr. Chairman.

Mr. Chechile, in your testimony, you mentioned you were selected by Allegheny County to build facilities on county property, which you will lease and then share revenue earned from the facilities with the county. This will create a long-term revenue stream for the county and for your company. Is this relationship typical when you work with the public sector to leverage railroad right-of-way?

Mr. CHECHILE. It is. In fact, some of the arrangements that we have with railroads are actually with public authority right-of-way owners. So that arrangement, although with Allegheny County, it relates specifically to real estate parcels; there are similar arrangements that we have with authorities.

Mr. NADLER. OK. Let me ask you the following question. So a railroad owns right-of-way. Let's assume that it decides that a good use of that right-of-way for ancillary revenue would be a telecommunications line, fiber optic. Why would it contract with a company like yours? Why would it not go directly to Verizon or AT&T or Sprint or whoever and have them make a deal with them? In other words, how does a company like yours fit into it?

Mr. CHECHILE. Understood. A very good question. And in fact very likely much of the revenue, if not all of the revenue——

Mr. NADLER. I can't hear you, sir.

Mr. CHECHILE. I would say that in fact all—much, if not all of the revenue Amtrak derives today are very likely from the arrangement that your example cites, where it is between Amtrak and potentially an infrastructure provider. I think where our arrangement is different is that firms like that are typically looking for a way of deploying their assets in a right-of-way that allow them to serve their customers. And oftentimes they find that right-of-way owners are difficult to do business with. Our heritage with respect to working with railroads means that we have an understanding of how to, A, make those connections, and then B, willing to invest our own capital.

Mr. NADLER. So you would be hired initially by AT&T and not by the railroad?

Mr. CHECHILE. If we are the ones building an asset, then we in turn would be the one leasing the asset.

Mr. NADLER. No, no, no. But I am saying it wouldn't be the railroad that would go to you; it would be the guy who wants to use—the company who wants to use the right-of-way?

Mr. CHECHILE. The people—the way the commercial arrangement would work and has worked, for instance, with Allegheny County and others, is we sign an agreement to build the assets, the communications facilities in particular, and then it is our responsibility to go out and to identify tenants for those facilities. And we share the revenue.

Mr. NADLER. You sign the original agreement with the railroad, not with AT&T.

Mr. CHECHILE. Our agreement is with the railroad to share the revenues that we earn.

Mr. NADLER. OK. Now, you said $50,000 a mile, or maybe $50 million to $100 million. For what length of track did you say?

Mr. CHECHILE. We are earning $50,000 per mile along our 350-mile corridor. Amtrak has approximately 525 miles of corridor.

Mr. NADLER. OK. So it would be $50 million to a $100 million dollars over that.

Mr. CHECHILE. That itself is $25 million. And then making some adjustment for four to five times the population count, which should imply——

Mr. NADLER. OK. I thought I heard a few minutes ago someone estimate that that right-of-way in the Northeast Corridor could be worth a billion dollars.

Mr. MICA. A trillion.

Mr. NADLER. A trillion dollars. Is that realistic?

Mr. CHECHILE. I am speaking specifically to the right-of-way. And I think the Amtrak system includes many more real estate assets than just the right-of-way. So with respect to——

Mr. NADLER. OK. So we are talking about apples and oranges.

Mr. CHECHILE. I am talking about specifically the dirt the track runs along as opposed to maybe the stations and other opportunities.

Mr. NADLER. OK. Let me ask you a different question. Thank you. In your testimony, you state that the time is now for the public sector to take the step towards actively managing rights of way by leveraging the private sector's experience and capital. Is there any way that the public sector can leverage railroad right-of-way to generate revenue without hiring an intermediary firm? And I suppose your answer would be, from what you said before, if it is dealing with a very large vendor like AT&T or somebody, but not otherwise.

Mr. CHECHILE. I think there is a difference in terms of effectiveness. So theoretically what can be achieved by a right-of-way owner on its own would be the same. In practice, our experience has shown that that is not the case.

Mr. NADLER. OK. Thank you.

Ms. Swaim-Staley, in order to attract private support for the public-private partnerships that you talked about, how important is it to have strong political and financial backing for the project at the Federal and State level?

Ms. SWAIM-STALEY. Well, it is obviously very important to have support from not only Federal and State, but your local, and in station redevelopment the neighborhoods as well, and the political support from all.

Mr. NADLER. Thank you.

My last question. Mr. Smith, you mentioned that a national passenger rail system has significant economic value, and that if any set of connections is eliminated, that is through reductions in service, the value to the entire network is diminished. That was your statement. Can you talk about why long-distance service is important and what it contributes to the economy? And what do you think will happen to the service if States are forced to pick up the tab for them? And do it in the context, please, of my understanding, or if I am wrong, please, tell me so in your opinion, that it is very rare for someone to take a long-distance route from let's say Chicago to L.A. by rail, but that the intermediate steps are what is really important, to go from Chicago to this place or from this place to that place is why you need those routes.

Mr. SMITH. You are exactly right, Congressman.

Mr. DENHAM. Mr. Smith, I will give you 30 seconds.

Mr. SMITH. If you were to fly from one point to the other, you would not have those mid-point connections. When I take the Crescent home from DC to Meridian, there are segments that are joined together that make one continuous route. People can be on and off, and access it from State to State or city to city. So that is what you are talking about, linking those pairs of cities through a corridor that serves a region of the country that wouldn't be served otherwise.

Mr. NADLER. That is economically important because?

Mr. SMITH. That is economically important because where that train stops in those cities is the opportunity for investment and leveraging that station and the property around it. You can see it up and down long-distance train routes and other passenger rail service all over this country.

Mr. NADLER. Thank you. My time has expired.

Mr. DENHAM. Mr. Mica.

Mr. MICA. Thank you, Mr. Chairman.

Mr. Smith, are you aware of what the Federal debt is approaching, what figure?

Mr. SMITH. I couldn't give you a specific number.

Mr. MICA. More than $16 trillion, heading towards $17 trillion. Would you say that is about right?

Mr. SMITH. If you say so, sir.

Mr. MICA. I say so, and that is the fact. And right now, with deficit spending under this administration, we have been borrowing about 40 cents on every dollar that we are spending. That is the way we are financing things right now. Are you aware of that?

Mr. SMITH. Yes, sir, we are financing lots of choices with that.

Mr. MICA. For example, I had a mother contact me, and they are cutting out hot meals, I guess warm breakfasts for our troops that are serving overseas. Were you aware of that cutback?

Mr. SMITH. No, sir. My focus is transportation.

Mr. MICA. Yeah. And have you heard about the chef conclave to cook up new exotic dishes on the Amtrak money losing routes?

Mr. SMITH. I actually ride those trains, and the dishes are not exotic aboard that service. And I think that ignores the larger issue.

Mr. MICA. Are you aware the Crescent, we lost $48 million, which we had to borrow?

Mr. SMITH. Yes, sir. But ridership is up on all of those long-distance routes.

Mr. MICA. All the top three, it is actually down, and the losses have actually increased. So $40 million. And I have to make choices here, is it hot meals for my service or a gourmet meal?

Now particularly—now let me ask you about your little memo that you sent to my mayor and other folks as a former mayor. You sent this to my mayor: House of Representatives is slashing Amtrak's funding, putting the future of national rail system in jeopardy. I think we went from $1.4 billion to $950 million. And that is going to put us in jeopardy? This is your——

Mr. SMITH. Yes, sir, it is. That is my statement.

Mr. MICA. Did you coordinate this with anybody at Amtrak?

Mr. SMITH. No, sir.

Mr. MICA. No one? You didn't talk to anyone?

Mr. SMITH. No, sir. That is our letter. I lived it and breathed it.

Mr. MICA. That is your letter as former chairman. And you basically said that our passenger rail is under threat. Don't you think the United States is under threat when you are in debt up to your eyeballs, when you are borrowing 40 cents on a dollar to underwrite your service? You are aware that every ticket on Amtrak last year was underwritten more than $40 per passenger ticket. You are aware of that?

Mr. SMITH. I am aware that Amtrak is recovering 88 cents on every dollar.

Mr. MICA. But you are aware that we subsidized every ticket on Amtrak over $40. And including these long-distance tickets, some of them more than $400? And we can't cut back, sir?

Mr. SMITH. We subsidize, or invest, depending on the verb you want to choose, in every transportation system—if I may answer.

Mr. MICA. Go ahead.

Mr. SMITH. Every transportation system in this country, whether that is highway, aviation, transit, or rail. That is a fact. There is no passenger rail system in the world that pays for itself out of the fare box.

Mr. MICA. That is not true. That is not true.

Mr. SMITH. No, sir, that is true.

Mr. MICA. That is not true. Again, I beg to differ with you, and I can cite you examples. I just cited one line that has more passengers with a bigger return than Amtrak has. It has doubled the passenger ridership in the last 10 years, and actually gone from a deficit, one line, of $300 million to $100 million in profit.

Mr. SMITH. That example ignores the capital costs.

Mr. MICA. That is not true. Don't tell me that. Please, don't tell me that, because I have been there, looked at it, met with the people. They put 5 billion pounds—$10 billion in private money into the route. They will put money into a route, the Northeast Corridor, if they get a return and a piece of the action. If Amtrak continues its Soviet-style operations, whether it is to Meridian, Mississippi, or to New York, Boston, and Washington, you will continue to lose money. Are you aware how much Amtrak loses in food service?

Mr. SMITH. Not at the current moment.

Mr. MICA. Well, you know, it is going to approach, the last 12 years, a billion dollars. Did you know, a billion dollars in losses on food service? Last year, according to testimony, we had the guy sitting in the chair next to you a few weeks ago, it was $72 million lost last year. And I think they cooked the books on that. So you don't think we should cut back, that I should make the choices and have my—go back and tell that mother, you know, we need to put this money into Amtrak. We can't take any cuts out of Amtrak. Can you name any positions they have eliminated or anything they have done to cut back in Amtrak?

Mr. SMITH. That is a false choice, Congressman.

Mr. MICA. Oh, it is not a false choice. These are choices I have to make. And I am not happy about Amtrak's performance. And I am not happy about your communication to my mayor. Thank you.

I yield back.

Mr. SMITH. Thankfully, as a former mayor, I still have the ability to contact my colleagues across the Nation, and most respond and respond favorably because they live in the same environment that I lived in for 16 years.

And I would just say on the subject of the long-distance trains, when my Senator, Trent Lott, got to see the Mississippians who use that system and saw it as vitally important to them, the retired couples who use that system to visit their dispersed families across the country, the single mothers with children, for whom the only way they could get to visit their grandparents affordably was through the use of that train, the disabled vets that were onboard that train, when he got to see the Mississippians impacted and affected he understood the importance of that train and that service.

Mr. DENHAM. Thank you, Mr. Smith.

And let me thank each of you for your testimony today.

If there are no further questions, I 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 have been submitted to them in writing, and unanimous consent that the record remain open for 15 days for any additional comments and information submitted by Members or witnesses to be included in the record of today's hearing.

Without objection, so ordered.

I would like to thank our witnesses again for their testimony today. If no Members have anything to add, the subcommittee stands adjourned.

[Whereupon, at 12:15 p.m., the subcommittee was adjourned.]

STATEMENT OF
JOHN PORCARI
DEPUTY SECRETARY
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE

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

The Role of Innovative Finance in Intercity Passenger Rail

July 9, 2013

Chairman Denham, Ranking Member Brown, and Members of the Committee, thank you for inviting me to appear before you today to discuss innovative financing for rail projects.

I thank the Committee for its interest in getting rail projects completed using a variety of tools and funding sources. This is a high priority for me and for this Administration. Like all of you, at the Department of Transportation (DOT) we are keen on making the best use of the tools available to us to create and add to public value.

Since 2009, we have improved or are improving 6,000 corridor miles of track and 40 intercity rail stations and begun the procurement process to acquire 260 next generation passenger rail cars and 106 lighter, faster rail locomotives. We have leveraged Federal resources with our grantee partners and loan recipients to lay a sustainable foundation for a rail network that will be safer, more reliable and more efficient.

Today, we have an $18 billion portfolio of grants and loans to help fuel the development of America's passenger and freight rail network. Although this level of Federal investment in rail is impressive and unprecedented, it is only a starting point. We must continue to invest Federal resources and leverage those with other public sector and private partners to fully realize the potential of rail.

Today's discussion is appropriate leading up to the legislative work necessary to reauthorize both the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) and the Rail Safety Improvement Act of 2008 (RSIA) this year. In my testimony, I will explain why rail infrastructure and service is so important; highlight our selective achievements in innovative financing at DOT; and describe some of our proposals for dedicated rail funding to improve those financing options in the future.

Rail is a critical piece of our nation's infrastructure, and its importance is only going to grow as Americans continue to choose it as the mode of opportunity for moving people and goods.

The American People Want Rail Investment

Americans are choosing rail in record numbers—Demand for passenger rail is surging across the United States. Ridership levels have set new records in nine of the past ten years. In Fiscal Year (FY) 2012, Amtrak carried a record 31.2 million passengers—a 3.5 percent increase from the year before—and also achieved its highest on-time performance in 12 years (83 percent).[1] These ridership levels are being achieved even before the substantial service improvements funded in recent years begin to come online. Once Amtrak adds new trains and reduces trip times and delays, it will attract even higher levels of ridership.

Americans' travel habits are changing—Reports show that since 2004, the average American has been driving fewer miles each year. In 2011, the average American drove six percent fewer miles than in 2004. What's even more significant is that studies show the trend away from driving is being led by younger Americans. Between 2001 and 2009, Americans ages 16 to 34 decreased their average number of vehicle-miles traveled by 23 percent and increased their passenger miles traveled on trains and buses by 40 percent. Factors causing these changes may include new communication technology, shifts in driving laws, and higher fuel prices. And while the Great Recession had some role in influencing habits, research indicates that travelers will continue to look for transportation alternatives even as the economy continues to recover.[2]

Rail is a vital part of a multimodal transportation network—The American Road & Transportation Builders Association (ARTBA) has written: "The U.S. public transportation, rail transit, intercity passenger rail, and freight rail systems are integral and vital components of the nation's intermodal transportation network ... These systems must be expanded to meet public demand, and continue to be integrated into the overall surface transportation planning process."[3]

Communities across the nation are competing for rail investment dollars—Almost every region in the U.S. has demonstrated demand for investments in passenger rail services. Between August 2009 and April 2011, the Federal Railroad Administration (FRA) evaluated nearly 500 applications submitted by 39 states, the District of Columbia, and Amtrak, requesting more than $75 billion for rail projects. Over five rounds, the Transportation Investment Generating Economic Recovery (TIGER) discretionary grant program has received more than 115 applications requesting over $4.1 billion for intercity passenger rail projects, and more than $4.7 billion in funding has been requested for freight rail-related projects.

Public support for infrastructure investment is high—A 2011 Harris Poll survey revealed that nearly two-thirds of Americans (62 percent) support using Federal funds to develop high-speed rail.[4] The National Association of Realtors' *2009 Growth and Transportation* study showed only 20 percent of Americans favored building new roads to deal with congestion, while 47 percent believe that improvements in public transportation would better mitigate congestion and accommodate future U.S. population growth.[5] Additionally, polls show that almost 19 of 20

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[1] Amtrak, Amtrak Sets New Ridership Record, October 10, 2012.
[2] U.S. Public Interest Research Group and Frontier Group, Transportation and the New Generation: Why Young People Are Driving Less and What It Means for Transportation Policy. April 5, 2012.
[3] American Road & Transportation Builders Association (ARTBA). Railroad/Transit Policy, June 2010
[4] Harris Poll survey conducted between January 17, 2011, and January 24, 2011.
[5] National Association of Realtors and Transportation for America, *2009 Growth and Transportation Survey.* Hart Research Associates, Jan. 5 to 7, 2009.

people are concerned with the state of America's infrastructure, and approximately 84 percent support infrastructure investments.[6]

Rail has demonstrated public benefits, domestically and internationally—Strengthening passenger rail services can help balance the Nation's transportation network, as demonstrated on the Northeast Corridor (NEC). Since the introduction of the *Acela* service 10 years ago, Amtrak has almost tripled its air/rail market share on the NEC, carrying 75 percent of travelers between New York and Washington.[7] These changing travel patterns can free airport capacity for more cost-efficient long-distance flights.

Accomplishments in Innovative Finance for Rail

Federal funding has been and continues to be a catalyst for private investment and growth of the Nation's rail network.

Today, the FRA has more than $18 billion invested in rail throughout the country. All of these investments are market-based rail improvements, including: grants for rail line relocations and disaster assistance; the High-Speed and Intercity Passenger Rail Program (HSIPR); the Railroad Rehabilitation and Improvement Financing Program; the TIGER program; research and development and operating and capital programs for Amtrak. Each of these grant and loan programs are designed to enable the safe, reliable and efficient movement of people and goods for a strong America now, and in the future.

Rail transportation is intrinsically linked with the private sector

The HSIPR program is like few others in the Federal government, in that much of the underlying infrastructure for the U.S. passenger rail system is owned by private corporations. While the rail industry's ownership structure is unique, FRA was able to draw lessons from established grant management best practices, apply them with ingenuity and creativity, and create innovative mechanisms to safeguard project benefits.

As part of this process, FRA has helped facilitate critical multi-party, performance-based agreements with host railroads that are effective and enforceable. These agreements ensure that HSIPR projects will protect taxpayer investments by delivering real and lasting public benefits while also recognizing the core business needs of the freight railroads.

In prioritizing these stakeholder agreements as a critical pre-requisite to obligating major HSIPR grants, FRA relied heavily on recommendations from the Government Accountability Office (GAO) and the U.S. Department of Transportation's Office of the Inspector General (OIG) from previous studies. GAO and OIG have repeatedly emphasized performance metrics and accountability as an essential element of grant program success. FRA embraced this perspective as it implemented HSIPR and used it to shape and focus its activities.

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[6] U.S. Department of the Treasury and Council of Economic Advisers, An Economic Analysis of Infrastructure Investments, October 11, 2010, quoting survey from The Building America's Future National Survey, Luntz et al., 2009.

[7] Amtrak, "State-Supported Corridor Trains, FY2011-12," April 2012.

It is difficult to overstate just how critical these agreements were to meeting Congress' objectives in PRIIA and the American Recovery and Reinvestment Act (ARRA). These agreements established an entirely new set of relationships and commitments among States, freight railroads, Amtrak, and the federal government, and as such needed to be done carefully and in a way that allowed for adequate discussion among all stakeholders on a variety of complex topics.

HSIPR investments leverage market-based improvements

The HSIPR Program is a collaborative, competitive, grant program meant to transform America's transportation system through the creation of a national network of high-speed rail corridors. Established by Congress in 2008, the program began with an initial appropriation of $8 billion through ARRA. Congress continued to build upon that progress by making available an additional $2.1 billion through annual appropriations for FY 2009 and FY 2010, using the framework initially established by the PRIIA, bringing the total program funding to $10.1 billion.

The HSIPR Program was created to address Nation's transportation challenges by making strategic investments in passenger rail corridors across the Nation. The program has three key objectives:

1. Build new high-speed rail corridors that expand and fundamentally improve passenger transportation in the geographic regions they serve;
2. Upgrade existing intercity passenger rail corridors to improve reliability, speed, and frequency of existing services; and
3. Lay the groundwork for future high-speed rail services through corridor and state planning efforts.

Implementing these corridor projects and programs will serve as a catalyst for growth in regional economic productivity and expansion by stimulating domestic manufacturing, promoting local tourism, and driving commercial and residential development. The program increases mobility by creating new choices for travelers in addition to flying or driving while reducing our national dependence on oil and fostering livable urban and rural communities.

Through HSIPR, the FRA has partnered with 32 states to invest in more than 150 high-speed and higher-performing intercity passenger rail projects. One hundred percent of ARRA-funded HSIPR projects have been obligated and 52 projects worth $3.6 billion in funding are currently completed, under construction, or will soon start construction in 19 states and the District of Columbia.

CREATE in Illinois - *A public-private partnership designed to bolster reliability and performance*

Chicago is the largest rail hub in the country with more than 1,200 trains passing through the city daily, carrying 75 percent of the Nation's freight rail, worth approximately $350 billion. Moving this freight through Chicago creates a host of conflicts on the freight rail system and between freight and commuter trains, intercity passenger rail, automobiles, bicycles, and pedestrians.

The Chicago Region Environmental and Transportation Efficiency Program, known as "CREATE", is a first-of-its-kind partnership among DOT, the State of Illinois, the City of Chicago, Metra, Amtrak, and the Nation's largest freight railroads. The approximately $1.5 billion program includes 70 projects that will restructure, modernize and expand existing rail facilities to improve freight and passenger mobility in and through Chicago while reducing negative environmental and social impacts.

DOT has awarded CREATE $110 million TIGER funds to complete top priority projects. The federal funding leveraged $14 million in State and local funding and $48 million in funding from the private railroads. Collectively, the projects will add capacity and reduce delays for freight and commuter trains, reduce delays to motorists using at-grade crossings, as well as improve roadways, sidewalks, and curbs under railroad viaducts to enhance safety and security for motorists, bicyclists, and pedestrians.

The FRA, through the HSIPR Program and in cooperation with the Illinois Department of Transportation, funded the Englewood Flyover Project, also a part of the CREATE Program. The $132.6 million federal investment will fund the design and construction of a grade separation between the Metra Rock Island District Line and the Norfolk Southern Chicago Line. The project will raise the existing two-track Metra Line approximately 29 feet to fly over the existing three-track Norfolk Southern alignment.

The existing at-grade crossing of these two rail lines is one of the Chicago area's major rail junctions and is a significant cause of current congestion in the Chicago area rail network. The project will eliminate significant delays between Metra trains, Amtrak passenger trains, and Norfolk Southern freight trains, and will ultimately result in improved schedule reliability for current Amtrak and Metra trains as well as provide needed capacity for future Midwest Regional Rail System passenger trains.

While the Englewood project was funded entirely through public investment, the larger CREATE program is a first-of-its-kind partnership expected to lead to billions of dollars in private investment. When the project is completed, FRA expects those investments to enhance the quality of life for Chicago-area residents and have a marked impact on the national rail network since six of the seven major railroads operating in North America pass through Chicago.

Rail Line Relocation partnerships drive efficiency and community mitigation

In order to assist State and local governments in mitigating the adverse effects created by the presence of rail infrastructure, Congress authorized the Rail Line Relocation and Improvement Capital Grant Program in 2005 through the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). However, Congress first appropriated funding for the program FY2008. SAFETEA-LU also directed the FRA to issue regulations to establish and implement the program. That final rule was published in the Federal Register on July 11, 2008.

Only States, political subdivisions of States (such as a city or county), and the District of Columbia are eligible for grants under the program. Grants may only be awarded for construction projects that improve the route or structure of a rail line and (1) are carried out for the purpose of mitigating the adverse effects of rail traffic on safety, motor vehicle traffic flow, community quality of life, or economic development; or (2) involve a lateral or vertical relocation of any portion of the rail line.

From FY 2008 through FY 2011, Congress appropriated a total of $90,104,200 for the program. Funding has been provided to grantees through both Congressionally-directed spending and competitive grant opportunities. Congress did not appropriate any funding for the Rail Line Relocation program in FY 2012 or 2013 and all available funding has been awarded. There was no competition in FY 2012.

Railroad Rehabilitation and Improvement Financing Program

The Railroad Rehabilitation and Improvement Financing (RRIF) program provides direct federal loans and loan guarantees to finance the development of railroad infrastructure. To date, FRA has awarded nearly $1.73 billion in more than 30 RRIF loans, for projects in 26 states across the country. While most RRIF loans have been awarded to Class II and III railroads, RRIF plays a role in larger projects as well. As one example Amtrak will acquire 70 new American-made electric locomotives and upgrade maintenance facilities for Northeast Corridor services, all possible due to a recent RRIF loan.

In July of 2010, the Denver Union Station Project Authority (DUSPA) received just over $300 million in federal loans through a financing arrangement using the Department's RRIF program and the Transportation Infrastructure Finance and Innovation Act (TIFIA).

The loans financed new intermodal transportation facilities which include an underground bus terminal with 22 bays, a light rail terminal consisting of three tracks and two platforms for existing and planned routes and an intercity and commuter rail facility consisting of eight passenger tracks, platforms and service and storage improvements. Also included are the extension of the 16th Street Mall and the Shuttle service, accommodation of the Downtown Circulator service, as well as the pedestrian improvements and improved street and replacement parking and utility infrastructure. Integration of these services will provide travelers seamless connections and access to public spaces. The project is expected to be complete next year.

Preceding the loan issuance, Downtown Denver had averaged 6.6 percent annual growth. Once complete, the project will have an immediate positive benefit on the economy and it is estimated that the Denver Union Station public sector investments have or will create over 7,000 new jobs during construction. Together, the TIFIA and RRIF loans constituted approximately 58 percent of all funding sources for the project. Under the financing plan, a Regional Transportation District bond as well as a tax increment revenues pledged to DUSPA will be used to repay the debt. The financing arrangement was historic and innovative given that the project was the first to combine credit assistance from both programs and for the RRIF program, it was the first to use tax increment financing.

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

TIGER

RRIF and TIFIA, as well as other Departmental programs such as Private Activity Bonds, constitute an enormous opportunity to partner with the private sector to invest in our rail system. These tools are greatly enhanced when matched with merit-based, competitive grant dollars, such as we have seen with TIGER. Not coincidentally, all of these programs also form the backbone of the President's Partnership to Rebuild America. The future of federal rail infrastructure investment will be a blend of public and private dollars targeted at those projects which demonstrably produce the most benefits, both public and private.

Thanks to the flexibility permitted by Congress, TIGER was designed with some unique features. When we began the program in 2009, we instituted a mode-neutral, merit-based selection process to evaluate projects on a number of factors, including our departmental goals such as economic competitiveness, safety, state of good repair, and environmental sustainability. We also looked at project readiness, economic analysis of benefits and costs, innovation, partnership and ability to bring non-Federal dollars to the table. And while the vast majority of federal transportation funding can only be accessed by states and transit agencies, the TIGER application process is open to any public project sponsor.

Four rounds of the TIGER program have provided $3.1 billion to 218 projects in all 50 states, the District of Columbia and Puerto Rico, and we are currently evaluating proposals for the 2013 round. We wanted TIGER to be multi-modal and focus on project outcomes, but we came with no particular vision for exactly how the funds would be awarded. Once again we are seeing strong demand for passenger and freight rail projects. Out of the nearly 600 applications we have received requesting more than $9 billion in funding, 85 applications requesting more than $1.3 billion are focused on rail infrastructure improvements.

As we evaluated project proposals, we discovered that rail projects competed extremely well. Across four rounds we've awarded over $750 million to more than 45 projects primarily addressing passenger and freight rail mobility. Although the use of benefit-cost analysis is still wildly uneven in the U.S. transportation field, it became obvious to us through TIGER that many rail projects scored off the charts, especially multi-state freight rail networks like CREATE, National Gateway, and the Crescent Corridor, which leveraged significant private investment.

TIGER helps us fill the gaps in the national transportation system that traditional formula funding does not always reach. We are making significant upgrades to major intercity passenger rail nodes through TIGER, including Moynihan Station, St. Paul Union Depot, Raleigh Union Station, Sacramento Valley Station, and the Minneapolis Interchange.

And with the encouragement of multimodal and other non-traditional project scopes and applicant coalitions through TIGER, we have convened FRA and the Maritime Administration to work together implementing intermodal rail improvements at major ports around the country, including the Ports of Los Angeles, Long Beach, Miami, Vancouver, Oakland, and New Orleans. These complex projects require complex analysis of public and private benefits and costs, and we have appreciated the opportunity to work with transportation agencies around the Nation on advancing the practice.

As we look towards the next authorization, we feel that TIGER offers an important model for not only data-driven and merit-based project selection in a no earmark era, but also for better leveraging federal dollars in a difficult budget climate by ensuring a maximum return on federal funds.

However, at current funding levels TIGER is a drop in the bucket when compared to the need for predictable, sustainable, federal investment in our national rail infrastructure network.

Research and Development

Since 2007, 114 rail accidents were caused by joint bar failures due, in part, to difficulties with manual inspection. These manual inspections were time intensive, somewhat cumbersome, and subject to human error.

To address this critical safety concern, FRA's Office of Research and Development program invested $1.3 million in the development of a technology for automatically inspecting rail joint bars. FRA initially contracted with a private engineering company for the initial stages of this project. As the technology began to demonstrate potential and the freight railroads started to show interest, the private company invested its own funds to convert the prototype to a production system. FRA does not know how much was invested, but is certain that those funds were not available from its own budget. The successful implementation of the automatic joint bar inspection system would not have been possible without FRA funding the initial, high-risk stages and private industry commercializing the final product.

Following a feasibility study and proof of concept, a prototype system was manufactured and tested. Since 2008, the system has been commercialized and several have been bought and operated by the freight railroads. There has been a 65 percent reduction in annual accidents caused by joint bar failures since the first commercial system was sold.

Grants to Amtrak

In October 2011, Amtrak began a multi-year project to fully replace the track in all four tunnels under the East River connecting New York City to New England and Long Island along the Northeast Corridor (NEC).

When completed, the project will provide a significant infrastructure improvement that affects the whole NEC, Amtrak operations, Metropolitan Transportation Authority (MTA)-Long Island Railroad (LIRR) operations, and New Jersey Transit (NJT) operations. The total track renewal will provide enhanced reliability, allow for increased train speed and efficiency, permit increased operations, provide greatly needed drainage improvements, and bring the track into a state of good repair.

The program is slated to take 5 years at a total cost of approximately $72 million. The cost of the program is shared by Amtrak, the MTA, and NJT with the approximate cost sharing at 35 percent Amtrak funded through the FRA-administered Annual General Capital Program with the remaining costs covered by NJT, and MTA-LIRR. Although MTA-LIRR, NJT, and Amtrak have agreements that dictate maintenance and operation cost sharing, this program is based on a unique cost sharing agreement to fully renew the track infrastructure. Without a renewal, the state of the infrastructure would continue to decline resulting in increased maintenance costs and negative impacts to operational performance. Amtrak would not be able to cover the full cost of a track renewal by itself and continued deterioration would have strained Amtrak's resources into the future.

A Proposal for Predictable, Sustainable Funding

The Administration's FY 2014 Budget request lays out a detailed blueprint for a five-year reauthorization proposal. That is the kind of predictable, sustainable funding that the risk-averse private sector desires prior to investment.

National High-Performance Rail System

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

The President's FY 2014 Budget requests $6.4 billion—and $40 billion over the next five years—for the NHPRS program. The Administration proposes Congress fund the program through mandatory authorizations from a new rail account of a broader Transportation Trust Fund. The trust fund would initially be funded through the General Fund transfers that are offset from savings generated by capping Overseas Contingency Operations activities and would not require new taxes or fees.

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

Investment Programs	**6,360**	**8,045**	**7,700**	**8,550**	**8,945**	**39,600**
Current Passenger Rail Service	2,700	3,225	2,550	2,650	2,075	13,200
Rail Service Improvement Program	3,660	4,820	5,150	5,900	6,870	26,400
Research, Development, & Technology	**55**	**43**	**43**	**38**	**38**	**217**
Research & Development	**35**	**37**	**37**	**37**	**37**	**183**

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

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

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

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

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

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

The program will have four main areas of focus:

- **Passenger Corridors:** develop high-performance passenger rail networks through construction of new corridors or substantial improvements to existing corridors, and to implement positive train control systems on commuter railroads.

- **Congestion Mitigation:** address major bottlenecks and congestion issues that reduce freight and passenger train reliability on shared-use infrastructure.
- **Freight Capacity:** improve the competitiveness of the Nation's intermodal freight rail by upgrading facilities, adding capacity, and implementing community mitigation strategies.
- **Planning:** develop comprehensive plans that will guide future investments.

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

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

In recognition of America's transportation needs and the demand for rail nationwide, DOT submitted a transformative budget proposal for FY 2014. That proposal encourages innovative funding solutions to our Nation's infrastructure challenges through predictable and sustainable federal funding levels drawn from a broader Transportation Trust Fund, which would add a rail account to its existing highway and transit accounts putting rail on par with other modes. This is a key component in leveraging private dollars, enabling taxpayer dollars to create greater public value.

Other Important Policy Considerations for Rail Projects in Reauthorization:

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

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

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

- **Other planning analyses**—FRA is undertaking a variety of analytical studies and evaluations that will help states and industry stakeholders better integrate passenger and freight rail projects into regional transportation networks. For example, FRA has been leading an intensive multi-state rail study in the Southwest that is yielding important tools and best practices for regional rail development plans. This study is developing ways to analyze market potential for various classifications of rail investments, as well as assessing different institutional models for planning and developing multi-state rail networks.

Conclusion

The Administration remains fully committed to providing the improved rail transportation that the American people want and need. DOT looks forward to working with Congress and all stakeholders to ensure we find the most innovative, cost-effective, and practical policies for building a world-class rail network. Rail deserves the predictable and sustainable funding offered to other modes so it can reach its potential for the American public.

Thank you again for the opportunity to testify, and I will be happy to answer any of your questions.

#

Deputy Secretary Porcari
Questions for the Record
Hearing on
The Role of Innovative Finance in Intercity Passenger Rail

July 9, 2013

DENHAM

1. **Northeast corridor is one of the busiest rail corridors in the world, with 2,000 daily commuter and intercity trains. How can we take this proven ridership and revenue and use it with innovative finance to jump-start the large list of state of good repair projects?**

   As part of the Service Development Plan, NEC FUTURE will evaluate options for funding and operating the NEC, including the participation of the private sector in:

   - Financing and development of NEC facilities and improvements; and
   - Management of operation of the NEC assets.

   Section 502 of PRIIA looked at restructuring the NEC through a private/public partnership. No proposals for NEC restructuring were received in the PRIIA-mandated initial solicitation.

   Nonetheless, DOT and FRA are open to private sector investment and participation in all high-speed rail corridors and projects.

2. **Many in the railroad industry believe that the RRIF loan process is cumbersome and slow. What changes to the application process would help DOT expedite its processes, while still ensuring the necessary credit worthiness?**

   The RRIF program office is developing additional guidance to assist applicants. This will improve the transparency of the process for applicants and lead to applications with a higher level of readiness that can advance through the review process faster. As an example, FRA will review and comment on pre-application materials to ensure the submitted application is substantially complete and can move through review without having to go through a repetitive clarification process.

3. **What has DOT's experience been utilizing value capture methods to finance transportation projects?**

   DOT's innovative financing programs are designed to help leverage both existing and future funding flows associated with infrastructure projects, and DOT welcomes the opportunity to work with applicants who've been able to structure value capture-related revenues into the repayment streams included in their loan packages. The Denver Union Station Project (DUSP) received just over $300 million in federal loans through an unprecedented and historic innovative financing arrangement using the Department's RRIF and Transportation Infrastructure Finance and Innovation Act (TIFIA) Program. The redevelopment project, which included new intermodal transportation facilities, was funded through a unique structure and for the first time combined credit assistance from both programs. Together the TIFIA and RRIF loans constitute approximately 58% of all funding sources for the project. Under the financing plan, a Regional Transportation District (RTD) bond as well as tax increment revenues pledged to DUSPA will be used to repay the debt.

The Transbay Transit Center project in San Francisco is another example of the successful use of value capture to partially finance transportation projects. A $171 million TIFIA loan for Phase 1 of the project will be repaid using local revenue from a property tax increment in the surrounding area of the station. The total cost of Phase 1 is approximately $1.6 billion, with other sources including bridge tolls, sales tax revenue, transit capital funding, and state and federal grants.

BROWN

1. **What does the Administration believe is the proper role of the federal government in financing intercity passenger rail? What lessons from other countries show us with respect to financing passenger rail?**

   No country has successfully set up a passenger rail system without a substantial commitment and investment from the national government. The Administration believes that a similar commitment is necessary from the United States government if passenger rail is to succeed in America.

   The Administration's FY2014 Budget Proposal includes a bold plan for funding a five-year $40 billion reauthorization from a new Rail Account of the Transportation Trust Fund. That includes a $6.4 billion investment in the National High Performance Rail System (NHPRS) to maintain and improve the performance of the Nation's rail services, in addition to focusing on innovative research efforts aimed at improving safety.

2. **You quoted the road builders in your statement: "The U.S. public transportation, rail transit, intercity passenger rail, and freight rail systems are integral and vital components of the nation's intermodal transportation network." Some Members believe that we should eliminate long distance routes or make the states pay for them. What are your views on that?**

   Amtrak created and is currently implementing Performance Improvement Plans for each long distance route, as required by PRIIA Section 210. Incremental improvements have already been made and more efficiencies are expected with the implementation of pending initiatives (targeting enhanced reliability, customer service, connectivity, and financial performance).

One such initiative is the introduction of 130 new passenger cars to the long distance fleet between the end of 2013 and 2015, which will improve financial and on time performance. Furthermore, FRA increased its Amtrak oversight efforts in FY 2013 by hiring a Long Distance Passenger Train Oversight Manager. The agency believes that increased oversight coupled with continued implementation of Amtrak's Performance Improvement Plans will result in greater efficiencies and reduced loses for the current long distance system.

3. **You mention Rail Line Relocation grants in your written testimony. That program has expired. Do you believe it should be reauthorized? Can you talk about some of the projects that have been funded through the program?**

   The Administration's FY 2014 budget request included funding for a program of capital improvements to mitigate the impact of freight rail operations on local communities. This new program would fund activities previously supported under the Rail Line Relocation Program, while making the program scope more robust through eliminating at-grade crossings with roads, building sound walls, or other measures. FRA believes that boosting the share of goods moved by rail is a substantial benefit to the public, but acknowledges that increased freight operations can have adverse impacts on local communities.

   FRA currently manages several active Rail Line Relocation grants to projects intended to reduce the risk of train derailments through track rehabilitation and/or to avert highway-rail grade crossing collisions by moving tracks to less densely populated areas.

   In North Carolina, the Department of Transportation has just completed, on time and under budget, a project on the Aberdeen & Rockfish line to upgrade approximately five miles of track, install a 700 foot siding, and reconstruct 11 unpaved crossings.

   In New York, Schuyler County completed, on budget, the Watkins Glen Track Relocation project, which moved a rail line running through downtown with direct track to salt plants outside of town.

4. **You mentioned that the Administrator proposes to fund Amtrak through business lines rather than traditional operating and capital/debt service grants. Last week, the Federal Railroad Administrator testified that financing along business lines would not make sense with the low appropriations levels proposed by the House Appropriations Committee for Amtrak. Why?**

FRA's FY 2014 budget request provides the full funding needed to effectively deliver passenger rail services in each business line, plus additional funding to clear the substantial backlog of infrastructure repair and equipment replacement needs. At this funding level, managers within each business line would have the necessary flexibility and accountability to make investment decisions based on long-term planning and strategic service objectives.

However, current funding levels are not sufficient to fully meet the needs of each business line, requiring Amtrak to make trade-offs and essentially fund the most critical needs each year. If Amtrak was locked-into business line-based appropriations at current funding levels, managers would not have sufficient flexibility to make these decisions, or to adequately respond to natural disasters or other unanticipated events which may disproportionately affect certain business lines over others.

5. **In light of the recent court decision regarding metrics and standards ruling them unconstitutional, what are FRA's next steps? Do you need Congress to do anything?**

USDOT/FRA is reviewing the decision by the U.S. Court of Appeals for the DC Circuit in order to determine the best path forward in implementing metrics and standards for passenger rail. The DC Circuit's decision held that Section 207 of PRIIA was unconstitutional because it impermissibly delegated regulatory authority to Amtrak. If that decision stands, Congress could correct the Section 207 delegation with legislation.

HANNA

1. **How often does Amtrak review its ticket fares, and the models used to derive those fares?**

Amtrak has three primary tools it uses in the market place to adjust fares: (1) ticket prices (fares) for a given city pair – Amtrak may have up to 6 available for use at any given time, (2) inventory settings – through which Amtrak can change the share of seats available at any given fare, and (3) promotional fares – short-term special offers.

Performance is reported and adjustments to fares are made on a daily, monthly, and annual basis. Additional review may take place on an *ad hoc* basis per market conditions.

Daily: Amtrak's revenue managers review inventory settings (the share of seats at a given price) daily and may make adjustments in response to actual market demand. In practice, inventory settings are entered 11 months prior to departure and then reviewed with increasing frequency to ensure the train is selling as planned as the departure date nears.

Monthly: Monthly performance reviews seek to identify how well Amtrak's pricing strategy is working in the market. Inventory settings and fare adjustments are then considered based on individual route and/or market situations. For price, this may extend to either (a) an acceleration of a planned fare increase, (b) delaying a planned increase, (c) implementing a fare action off cycle, or (d) implementing a short-term promotional fare.

Annual Route Review: Each year, a subset of routes are identified for a complete fare structure re-evaluation. This is important because competitive changes, such as the introduction of new bus competition, can alter the relative success of a given fare structure along a train's route. The purpose of this review is to ensure the integrity of the fare structure along the entire route, and make adjustments as appropriate.

Annual Budget Planning: All routes are examined each year as part of the budgeting process, and fare increases are planned. The planned fare actions build to ticket revenue forecasts, which form the basis of the annual ticket revenue budget.

2. **Could DOT give some recent examples of routes on which Amtrak adjusted fares, based on ridership trends?**

There are a number of examples of this. As noted above, the primary short-term method is through inventory settings, where changes are made regularly. These changes affect the shares of fares available for a given departure. Beyond changes to inventory settings, Amtrak has reported the following examples:

Summer of 2012 to present: Northeast Regional and Cascades have each been affected by the entry of low-cost bus competition on certain city pairs. Entry of new viable competitors will naturally cause an initial market share shift to the new competitor. In both these situations, Amtrak created a new promotional fare that is in the market only briefly, requires advance purchase, and is limited to off-peak departures. These fares, coupled with corresponding advertising, target the price-sensitive leisure passenger to ensure continued awareness and trial of Amtrak's product in the face of bus competition whose primary competitive asset is generally price.

Winter of 2012: Strong Acela ridership trends resulted in many sold-out departures. Consequently, an additional, unplanned fare increase (increasing all price points) was released in order to capitalize on stronger demand and drive increased ticket revenue.

Summer 2011 – Spring 2012: Amtrak's Pacific Surfliner is an "unreserved" train. Unreserved trains are not revenue managed, but instead, in the absence of the multiple price points available to a reserved, revenue-managed train, revenues are controlled through fares alone. In 2011, it was experiencing strong ridership on many departures. The pricing team conducted extensive analysis to determine potential fare change opportunities for revenue growth. The result was a multi-stage fare action plan implemented through the Spring of 2012 that included eliminating seasonal fares that no longer worked effectively, followed by fare increases. These combined to deliver revenue improvements. Additional optional actions were identified that remain under consideration today.

3. **Does DOT believe that Amtrak has adequately captured the pricing power of its fares? If so, please provide some evidence, by line of business (Northeast corridor, State-Supported Routes, and Long Distance Routes). If not, how does DOT believe Amtrak could take better advantage of pricing opportunities?**

   Amtrak retains control over pricing and revenue management and manages both price and inventory, monitoring its yield (revenue per passenger mile), load factor (percent of seats sold), and ticket revenue per available seat-mile on an on-going basis by route for all three lines of business. This information is shared with DOT.

   In certain cases, where states have authority by contract agreement, some states have elected to operate unreserved services or to make pricing decisions based on their understanding of the local market. These decisions may be made in a broader public interest, such as to support commuter travel in a developing commuter market. Doing so may sub-optimize revenues in favor of public transportation, but this is the states' prerogative by contract.

4. **Does DOT monitor Amtrak's pricing policies and models, as part of its Amtrak grant oversight responsibilities? If so, how often does the Department do such reviews?**

   The U.S. DOT, through the Federal Railroad Administration, does monitor Amtrak's pricing and ticket revenue performance. This is done through examination of its monthly reports on revenue management performance as well as its participation on the Amtrak Board of Directors, at whose meetings ticket revenue performance is reviewed.

   Periodically, the FRA also meets with Amtrak personnel to discuss ticket revenue (and overall financial) performance in detail.

5. **What role, if any, do states play in setting Amtrak fares for the State-Supported Routes?**

   States and Amtrak often collaborate on development and promotion of pricing strategies, as was the case in the work described above for the Pacific Surfliner with Caltrans (the Department of Transportation for the State of California). In those cases, Amtrak generally starts with a detailed examination of recent revenue and ridership performance against pricing (and inventory settings, where appropriate), identifies opportunities for improvement, and works with the state representatives to select a preferred option. In some cases, states also defer to Amtrak for pricing review and decision-making. In all cases, Amtrak is responsible for implementing the final agreed recommendations, including publishing and communicating the fares.

MICA

1. **How many employees work in the RRIF program office to process RRIF loan applications?**

   RRIF is managed through the Credit Programs Division within the Office of Passenger and Freight Programs. There are 5 full-time employees and one employee dedicated half time to working for the RRIF program, which includes analysts and one Division Chief.

   Approximately half of the team workload involves processing pending loan applications and conducting pre-application meetings. The other half of the workload involves managing the substantial, existing loan portfolio. This includes monitoring and reporting on the portfolio, as well as processing payments and contract change requests. The Credit Programs Division also receives support from engineering and environmental staff within the Office of Passenger and Freight Programs, as well as assistance from legal staff in FRA's Office of Chief Counsel and subject-matter support from the Office of Safety and the Office of Financial Management.

2. **What is the annual budget for the RRIF program office for FY 2012?**

   There is no federal appropriation specifically for the RRIF program. FRA pays for its RRIF program costs out of the Safety and Operations account. Costs of RRIF activities paid out of the Safety and Operations account include contracting support, payroll for 3.75 FTEs, and travel expenditures.

3. **How many loans does the program office review per year, on average?**

   Over the last three years, the RRIF program office has reviewed an average of 9 loan applications per calendar year. In addition, the program office frequently conducts pre-application meetings and subsequent follow-up meetings during which FRA staff meet with potential applicants and review proposed projects. In FY 2012, the RRIF program office held 19 pre-application meetings with potential RRIF applicants in which staff provided an overview of the RRIF process and provided guidance on project specific questions. Additionally, RRIF program staff continue to manage the ongoing portfolio of loans.

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WRITTEN STATEMENT OF BEVERLEY SWAIM-STALEY
PRESIDENT AND CEO, UNION STATION REDEVELOPMENT CORPORATION
BEFORE THE SUBCOMMITTEE ON RAILROADS, PIPELINES,
AND HAZARDOUS MATERIALS
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES
JULY 9, 2013

Chairman Denham, Ranking Member Brown and Members of the Subcommittee, I am very pleased to be here today to share my experience on innovative financing. My name is Beverley Swaim-Staley and I am the President and CEO of the Union Station Redevelopment Corporation (USRC), a non-profit corporation established in 1983 by the Secretary of Transportation to manage Washington's Union Station through its redevelopment and protect the Federal Government's interest in the building which is owned by the United States Department of Transportation. By law, Washington's Union Station is to be operated in a manner that protects the historic building, continues its usage as a multimodal transportation facility and ensures it as a commercially viable entity which does not require ongoing funds from the federal government.

Washington's Union Station was the largest rail station in the world when it was built in 1907. Designed by Daniel H. Burnham, it is considered to be one of the finest examples of the Beaux-Arts style of architecture in the United States. In 1969 the station was added to the national register of historic places, although the building had fallen into major disrepair. In 1981, Congress passed legislation to protect the historic building, transform it into an intermodal transportation center and establish the building as a commercial complex. The public-private partnership formed to redevelop the station resulted from the Federal Government's desire to restore and preserve the historic station as a transportation center while limiting its exposure to future federal maintenance requirements. The redevelopment of Union Station in the 1980s created a vibrant transportation center and a successful commercial enterprise which proved transformative to the neighborhoods adjacent to the station.

The short term goals for redevelopment were to renovate the historic building after years of neglect and to find a commercial partner willing to enter into a long term lease for commercial development and operation of the station. The station was leased to Union Station Venture (USV) and the commercial redevelopment began in 1986. USV group comprised LaSalle Partners, a full service commercial real estate company, and two firms with expertise in urban specialty projects - William Jackson Ewing, a retail development and leasing firm, and Benjamin Thompson and Associates, an architectural firm. The District of Columbia completed the parking garage and built the shell for the new train concourse. The station opened in 1988 with over 200,000 square feet of leasable retail space. Today the station serves over 100,000 visitors daily. While still preserving its historic character, the station is a transportation hub of the District of Columbia. Not only is the station the second largest Amtrak station, it is a connection for commuter rail serving Maryland and Virginia, the busiest station in the WMATA subway system and the new station for intercity bus services. It will also be the terminus for the new District of Columbia Streetcar serving H Street within the next year.

Experience in Maryland

I am the third CEO in 25 years, having been in the position for 10 months now. My prior experience was at the Maryland Department of Transportation (MDOT) where I served as CFO, Deputy Secretary and finally Secretary of Transportation for three years. In my testimony today, I was asked to convey some of my experience at MDOT with regard to innovative financing and Public-Private Partnerships (P3).

Like many states around the country, Maryland was hit very hard by the recession. We had to look at expanding the tools in our toolbox to secure more financial resources for transportation. Maryland has never shied away from innovative financing for transportation. You could say that the very creation of the Maryland Department of Transportation was, in part, an innovative approach to financing transportation. Like the federal model, all state-level transportation functions were assembled under one umbrella funded by the Transportation Trust Fund that stands separate from the State's General Fund. The Maryland Transportation Authority was also created as an entity of the Maryland Department of Transportation. The Authority oversees Maryland's toll facilities and has a trust fund and financing program independent of the MDOT trust fund. The combination of dedicated transportation revenues and the ability to issue debt backed solely by that tax revenue and revenues from department-wide operations, has been an effective model for Maryland for over 40 years.

One of the best recent examples of pulling together several innovative financing techniques to develop a project financial plan is the Intercounty Connector (ICC). The ICC (MD 200) is an 18.8-mile, limited access, six-lane, tolled highway connecting the I-270/I-370 corridor in Montgomery County with the I95/US 1 corridor in Prince George's County. The project had been the subject of decades of planning.

The ICC is essentially completed and now open to traffic. The total cost of the project was $2.425 Billion. The financial plan included:

- GARVEE Bonds - $750 Million
- Transportation Authority Revenue Bonds - $571 Million
- TIFIA Loan - $516 Million
- General Funds - $265 Million
- Transportation Trust Fund - $180 Million
- Transportation Authority Cash - $124 Million
- Federal Funds - $19 Million

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This financial plan marked the first time that Maryland ever used GARVEE Bonds and a TIFIA loan for a project. Even a portion of the Transportation Authority Revenue Bonds had an innovative twist in that approximately $375 million of those bonds were issued as Build America Bonds created pursuant to the American Recovery and Reinvestment Act of 2009. Some of the financing tools were restricted for certain purposes while other sources could be applied to all aspects of the construction.

In 2009 we needed to rebuild two significant revenue generating facilities, our largest container terminal in the Port of Baltimore and our travel centers on our heavily traveled Interstate 95 north of Baltimore. We simply did not have the funding. We found ourselves asking if there were any businesses that would view certain transportation investments more effective for them than we viewed that investment for us. That thought process led us directly to Public-Private Partnerships (P3).

Maryland now has two excellent examples of what are proving to be successful partnerships with the private sector—the Seagirt Marine Terminal at the Port of Baltimore and the Travel Plazas along the I-95 Corridor.

The Seagirt Marine Terminal is the primary container facility in the Port of Baltimore. The terminal was 20 years old with only three berths served by cranes that were nearing the end of their useful life and becoming functionally obsolete as wider container ships visited the port. While the main channel in the Chesapeake Bay is maintained to a depth of 50 feet, none of the Seagirt berths were deep enough to accommodate larger ships expected after the expansion of the Panama Canal. If the Port of Baltimore was going to maintain and expand its market share in the next ten years, new shipping berths and cranes were needed.

The Maryland Department of Transportation, the Maryland Port Administration (operator of Seagirt), and the Maryland Transportation Authority (owner of Seagirt) began a search for a private sector partner willing and able to undertake a long-term lease of the facility. The goals for the P3 were clear and concise.

- Fund the construction of a new 50-foot berth to be operational before the expansion of the Panama Canal is completed.
- Repay the Maryland Transportation Authority for its initial investment in the terminal.
- Provide an on-going revenue stream to the Maryland Port Administration (MPA).

The effort resulted in the formation of a strong partnership between Maryland, Highstar Capital, and Ports America. The agreement, which began in January 2010, covers a period of 50 years. Over that term, the total investment and revenue has the potential of reaching $1.8 Billion. Some of the specific components of the deal include:

- $140 Million up-front payment to the Maryland Transportation Authority that will be used for highway and bridge improvements;
- $105 Million investment in the 50-foot berth and cranes;
- $378 Million of fixed annual payments to MPA over the term of the agreement; and
- $699 Million of variable payments to MPA over the term of the agreement.

It was also estimated that the project would create 5,700 new jobs and generate $15 million in new tax revenues.

Maryland is 3 ½ years into the agreement. Container volumes have increased by 129,000 between FY 2009 and FY 2012, an increase of 50 percent. The new berth is complete and the new cranes are on-site and functioning—two years before deadlines established in the agreement.

The I-95 travel plazas are owned and operated by the Maryland Transportation Authority. The two travel facilities which serve over a million visitors per year are called the Maryland House and the Chesapeake House. The Maryland House is almost 50 years old and the Chesapeake House is almost 40 years old. Both facilities had exceeded their life expectancy. The project appeared to be the perfect P3 candidate.

The effort to secure a P3 arrangement for the travel plazas was driven by three core goals.

- Obtain new or like-new facilities to replace the current Chesapeake and Maryland Houses.
- Ensure that the facility design and operation will provide a positive customer experience.
- Provide a fair return to the State, and provide for transfer of the facilities in satisfactory condition at the end of the term.

In the end, a 35-year lease agreement was reached with Areas USA. The parent company of Areas USA, Areas S.A., has been in the travel services industry for more than 40 years in locations all around the world. The total value of this partnership to the State is estimated to be $577 – $662 million over the 35-year term of the agreement. The significant components of the deal include:

- $56 Million to replace both travel plazas;
- $442 – $488 Million in revenue payments; and
- $41.5 – $45.5 Million in capital reinvestments in the facilities.

Construction is underway with the expectation that both new plazas will be open by September 2014.

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My Observations from Maryland Projects

From my experience in Maryland trying to create innovative financing structures to solve long term infrastructure problems, I have several observations.

First, every project is different, there is no one size fits all approach. Each project must be custom fit based upon the financeable components of the project and the benefits to the users.

Second, all financing – public or private must have a credit-worthy repayment stream. There is no free money. In my experience, the public frequently has the erroneous perception that in a public-private partnership, the user's cost will be transferred to the private sector. This is not typically the case. The investor must ultimately be paid back with an incentive for providing the original investment.

Third, funding is the final solution. Before the financial equation can be solved, the project must be clearly defined with its goals and benefits. The first two questions to be answered are: 1. Is the project viable from an engineering and constructability standpoint? and 2. Does someone want this project enough to pay for its benefits?

Fourth, define the elements of the projects for which there is a direct connection between benefit and costs. For example, in many transit oriented developments the building of a parking garage is the first step because people are willing to pay for parking due to its direct benefit to a service they want.

Fifth, can the revenues and benefits from single assets, like a parking garage, be used to leverage financing for all or portions of the project?

Plans for Union Station

Just five blocks from the U.S. Capitol, Union Station provides an unparalleled opportunity to demonstrate this country's commitment to developing the best intermodal transportation centers in the world. A victim of its own success, Union Station has seen passenger volumes triple since its restoration and redevelopment in 1988. Ashkenazy Acquisition Corporation is the current developer leasing Union Station. Akridge, a local developer, owns the air rights over the rail yard north to K Street. Currently stretched to capacity, intercity and commuter rail passenger volumes are predicted to once again triple in the next 20 to 30 years. USRC, along with Amtrak and the developers are now planning a transformation of the station which will increase the capacity and improve the passenger experience for travelers by rail, subway, streetcar, taxi, bus, bicycle, walking, rental car and private car. The plans also call for a three million square foot commercial center with parks, plazas and civic spaces atop the rail yard.

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The expansion of the intermodal center will catalyze job creation and economic development throughout the National Capital Region in the coming decades. Increased passenger capacity will facilitate housing (market rate and affordable) and job growth (at all levels of the income spectrum) through enhanced mobility within and to and from the region. Increased intercity travel and access to regional airports will drive hospitality and tourism growth. The new commercial center at the station will reknit neighborhoods long separated by train tracks and bolster recent proximate neighborhood growth, without displacing any current occupants.

Beyond providing a model for sustainable economic growth and leveraging existing transit assets, the transformation of Union Station can demonstrate high-priority regional and national priorities. The plans call for celebrating, enhancing and preserving the historic character of one of our country's most celebrated buildings. The grand public spaces and structures will signal the importance we assign to intermodal facilities. Finally, this redevelopment will highlight the principles of sustainable design and enhanced safety and security.

Through regional cooperation and the full engagement of local and federal stakeholders, we plan to partner with and leverage the private sector's access to broader capital markets and ability to take on greater risk. While we are still in the concept planning stage, the project elements provide a promising list of ingredients which are conducive to a wide range of funding and financing techniques. Increased ridership, sales and real estate taxes, development rights, parking operations and other revenue increments present ideal opportunities for securitization, risk-sharing, public private partnerships and other financing techniques. As our planning process begins to solidify the project's many uses and beneficiaries, we will seek to optimize and integrate as many funding sources as possible to minimize public investment and risk. While we will continue to study successful models from other cities, we are confident that as with similar projects, Union Station's expansion will require its own tailored financing solutions.

During our planning and design process we hope to learn from other urban transportation center development around the country. I would like to invite you all to visit the station and hear more about our plans. Thank you. I will be pleased to answer any questions you have.

Committee on Transportation and Infrastructure
Subcommittee on Railroads, Pipelines, and Hazardous Materials
Hearing on "The Role of Innovative Finance in Intercity Passenger Rail"

July 9, 2013

TO: Rep. Jeff Denham

FROM: Beverley Swaim-Staley

Question #1: Are there other rail stations in the country that are contemplating public-private partnerships to advance capital projects?

There are stations in various stages of development around the country. I have reached out to nine other developers in hopes of creating a communication network where we can keep track of each other's progress and learn from each other. Two projects which seem to be progressing well are Denver and Los Angeles. Denver is well underway and expected to open next summer. Los Angeles has just hired a Master Architect.

Question #2: Putting aside funding, there any Federal policies for the next rail authorization that would help stations enter into public-private partnerships?

In my experience, the key to public private partnerships is flexibility. Every deal is different, in structure, ownership, stakeholder relationships , governance and financing opportunities. Stations may be owned by Amtrak, the state, a municipality or leased by a non-profit corporation as in the case of Washington's Union Station. In some cases, more than one railroad may have rights-of-way. Oftentimes, freight and passenger rail are forced to compete for the same track usage. Federal policy should encourage partnerships among the railroads. Federal policies for funding mechanisms, (direct or indirect), should be inclusive to a variety of public or private sponsors. The processes for Environmental Reviews and approvals should be efficient and compatible with a complex number of project stakeholders. Federal policy should encourage transit oriented development which rebuilds and connects communities, creates jobs, and provides long term economic benefit.

Testimony of

Frank Chechile

Chief Executive Officer

Parallel Infrastructure

Before the

House Transportation and Infrastructure

Subcommittee on Railroads, Pipelines and Hazardous Materials

On

"The Role of Innovative Finance in Intercity Passenger Rail"

Submitted by

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July 9, 2013

Introduction

Chairman Denham, Ranking Member Brown, and Members of the Subcommittee, thank you for the invitation to participate in this hearing. I am grateful for the opportunity to share some of private industry's perspectives on innovative financing approaches that can benefit the passenger rail industry.

My name is Frank Chechile and I am the Chief Executive Officer of Parallel Infrastructure, an asset development and right-of-way management firm based in Jacksonville, Florida.

Before providing you with a description of Parallel Infrastructure, I would like to offer context and describe Parallel's association with our parent and sister companies. I think this information is helpful, giving insights into our experience with building, evolving and sustaining large-scale, transportation-related businesses.

Parallel Infrastructure is a wholly owned subsidiary of Florida East Coast Industries (FECI). FECI has a rich history dating back over a century, when a predecessor company was established by Mr. Henry Flagler. Mr. Flagler was a pioneer in the development of Florida's east coast, and today FECI continues to transform Florida in the areas of real estate, transportation and infrastructure.

FECI is comprised of four wholly owned subsidiaries, of which Parallel is one. The other three are: Flagler Development, a full-service commercial real estate company; All Aboard Florida, an intercity passenger rail system that will be privately owned and operated; and South Florida Logistics Services, an integrated logistics company. FECI and its four subsidiaries work closely with our sister company, Florida East Coast Railway (FEC), a freight rail system stretching from Jacksonville, Florida to Miami, Florida.

Although operated independently from one another, all of the FECI companies are focused on creating value from transportation opportunities, and related areas such as real estate and right-of-ways, just as our founder did over a century ago. Through a focus on unlocking opportunities to generate value for our stakeholders, including our customers, we have maintained our vitality and relevance, and built successful businesses. By doing so, we have fostered economic development and created jobs, while ensuring safety and respecting the environment.

Together, we have worked to maximize the value of our rail corridor, which is 100 feet wide, and stretches 351 miles, beginning in downtown Jacksonville, Florida, and continuing through the cities of Daytona Beach, West Palm Beach, Fort Lauderdale, and Miami. The corridor traverses through areas whose total population is just under 9 million people, and also connects to three major seaports: Port of Palm Beach, Port Everglades and Port Miami.

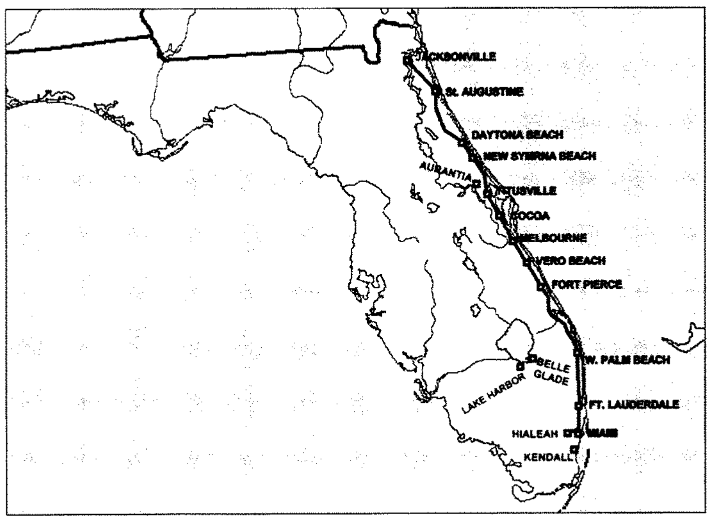

Figure 1. Florida East Coast Railway (FEC) Corridor

Although each entity is distinct in purpose and organization, in many ways, the lessons we've learned from collaborating with one another to fulfill a broader mission can be employed by public-private partnerships (P3). It's my belief that collaboration between the public and private sector would provide a material new source of financing for intercity passenger rail systems in our country.

For example, we have learned that joint problem-solving among organizations with a diverse set of objectives, sometimes conflicting, is hard work, but doable when the end game is well-defined, clearly understood, and has buy-in at multiple levels. This is enabled by building consensus on the key metrics that guide decision making, implementing workable governance models to keep stakeholders aligned and informed, and developing constructs to share financial gain.

These are among some of the disciplines and best practices that we bring to the table. I also believe that this gives us unique perspectives on getting complex things done and getting them right – *at scale*.

About Parallel Infrastructure

Now, some background on the company I have the privilege of leading, Parallel Infrastructure.

Our firm was created from our decades-long heritage as a right-of-way management organization for FEC Railway. Launched as a separate company just two years ago, we have become a national player with expertise in maximizing the value of right-of-ways and other similar and related real estate through proactive management and focused asset development. By entering into innovative revenue-share agreements with right-of-way property owners, we help to monetize their underutilized real estate without interrupting core operations. The result is increased revenue for a right-of-way property owner with little to no risk, and plenty of upside for incremental revenue generation.

In collaboration with our right-of-way clients, and using our own capital, we take the lead in:

- Proactively leasing right-of-way land,
- Deploying communications infrastructure facilities,
- Creating energy distribution systems, such as pipelines, and
- Building facilities that lend themselves to right-of-way property, including advertising (e.g., billboards), parking and storage structures.

In our short history, we have established asset development agreements with 28 freight railroad property owners and have roughly 1,800 miles under contract. We manage over 5,100 individual leasing contracts – the agreements between a railroad and lessees along the right-of-way. In addition, we manage hundreds of separate land parcels, including some with existing buildings or structures, sized from 1 to over 300 acres that are mostly adjacent to or near the right-of-way. We also enjoy relationships with public sector clients who have looked to Parallel Infrastructure to identify asset development and revenue generation opportunities, and are actively engaged with Class I railroads, as we build on our success with regional and short line railroads.

Our value proposition is straightforward: We provide both the capital and resources to develop revenue-generating assets on a right-of-way owner's property, and share the returns with the property owner. This allows the right-of-way owner to use their capital on improving their transportation infrastructure, while participating in the financial returns earned from someone else's investment in other types of assets. In fact, in many instances, such as state Departments of Transportation, a public sector entity must use its funds to maintain or expand transportation infrastructure, not on communications, utility, or other assets that can generate new revenue streams.

For our private and public sector clients alike, the ability to partner with a firm such as ours allows them to focus on their core operations, knowing that our own railroad heritage and right-of-way expertise ensures we understand what that entails. Indeed, working with Parallel Infrastructure provides ease of mind given our unique institutional expertise, built over decades of right-of-way management experience. Furthermore, many appreciate the perspectives that we offer and highly value the insights and best practices we share with them. We are not only right-of-way monetization experts; we are right-of-way operational specialists.

Our view of the opportunity

The opportunity to fully earn revenues from right-of-way real estate in our country is vast.

There are over one million miles of transportation corridors in the United States. These corridors are owned principally by state Departments of Transportation, local governments and private railroads. In addition, utility companies operate hundreds of thousands of miles of transmission lines in the United States, often on right-of-way land that they own. Parallel Infrastructure is targeting these entities to provide right-of-way real estate management services, and to generate significantly more value for them by building infrastructure assets that are well suited for those types of properties, such as communications facilities, energy distribution systems, and so on.

Our market research shows that less than 50,000 miles, or 5%, of transportation right-of-way are co-managed with or partially outsourced to third-party providers. The remaining almost 1 million miles of right-of-way are managed internally by their owner. Given our successful track record with the FEC Railway corridor and our growing list of client accomplishments, we believe that there is a significant market for our services. To provide a sense of scale, assuming that right-of-way owners could earn just $1,000 per mile from the types of activities we undertake, the million miles of transportation corridor in the U.S. would generate $1 billion. While that number might sound ambitious, you should note that Parallel Infrastructure is generating approximately $50,000 per mile in our own 351-mile long FEC Railway corridor just from telecommunications, pipe and wire, and land leases.

Parallel Infrastructure's services help any right-of-way owner, either in the public or private sector, achieve an important objective: maximize the value earned from its real estate assets. In addition to the direct benefit of providing additional recurring revenues for a right-of-way owner, these arrangements can also allow a right-of-way owner to obtain access to capital to support large-scale funding needs. More specifically, since Parallel is focused on developing assets whose demands are expected to continue growing, such as communications facilities, and its contracts are with creditworthy tenants for long periods of time, they offer predictable revenue streams for a right-of-way owner that could be collateralized.

For example, if a transit agency generates $10 million of annual revenue from the sort of right-of-way management opportunities that I'm describing, it could easily use that as collateral to secure $100 million in capital through a financing transaction. So by first unlocking the value of underutilized real estate by leveraging a third-party's capital and, in turn, leveraging the value of the annuities, an agency is positioned to take on previously unfunded or underfunded capital projects.

Economic conditions in our country remain fragile, at best, and we all know that transportation funding is woefully inadequate to meet our future needs. With respect to using traditional methods to reduce costs, or to increase revenues, much of the proverbial low-hanging fruit has been picked. I believe it's for these reasons that Parallel Infrastructure is finding right-of-way owners, both in the private and public sectors, accelerating efforts to forge partnerships and monetize underutilized real estate.

In the public sector, more specifically, where property values and property tax receipts have declined, and where slow economic activity has reduced tax receipts, we are seeing local governments making efforts to capture additional revenue by focusing on unlocking the value of their real estate.

Parallel Infrastructure success stories

For instance, Parallel Infrastructure was recently selected by Allegheny County, in western Pennsylvania, as one firm to help it maximize its income in this manner. Through a competitive bidding process, we were selected to build communications facilities on property the County identified as suitable for those purposes. We will use our capabilities and our capital to build, maintain, and lease facilities to communications service operators, which in turn, will provide the County with a long-term revenue stream without having to spend any of their money. In addition, by selecting several awardees, the County ensured that it obtains maximum value for the long term. While sharing revenue earned from communications facilities with a land owner is not a new concept, doing so in a comprehensive manner with a public sector land owner is the type of public-private arrangement that public sector entities like Allegheny County are using to institutionalize revenue capture opportunities.

As states grapple with a shortfall in needed transportation infrastructure funding, they are also recognizing the opportunity to access new sources of revenue from their right-of-way real estate assets, often using P3 arrangements. Parallel Infrastructure is in a unique position to assist these entities in doing so given our real estate focus, our transportation affiliation, and our railroad heritage. Indeed, a combination of proactive right-of-way real estate management, asset development, and passenger and freight railroad experience is a formidable experience set that brings intriguing P3 possibilities.

Another benefit of these types of arrangements is for land owners to obtain access to the assets that are built in their right-of-way to help fulfill their own operational needs, in a more cost-effective manner. For instance, Parallel Infrastructure recently partnered with a leading fiber optic network company to allow it to build its advanced technology network using the FEC Railway right-of-way. While the fiber network company will market this network to a multitude of potential customers who have growing needs for these technologies, our All Aboard Florida and FEC Railway sister companies will be able to access them for their own operating needs, such as assisting with the deployment of Positive Train Control, and for offering intercity passengers with superior amenities, including uninterrupted Wi-Fi service.

While maximizing the value of real estate is a straightforward and uncomplicated idea, achieving superior results requires the expertise of a firm with experience in doing so, that possesses people with a passion for maximizing the value of real estate, that understand the operating requirements of a railroad or utility or a local government, and with the capital needed to build the assets that ultimately generate the revenue. At Parallel Infrastructure, we possess all those things, as well as our methodology for obtaining results – the ValueMax℠ Right-of-Way Revenue Creation Model. This approach enables us to identify, evaluate and act on tangible revenue capture possibilities together with our right-of-way clients.

Personally, I am very proud of the effort that went into creating the model and am absolutely delighted to witness our team apply the requisite rigor and discipline to each client engagement. All of our intellectual capital, taken together, allows us to make the opportunities visible and actionable. When there is sharpened focus on and knowledge about monetizing right-of-way assets, it is quite literally a win-win situation.

Connection to innovative financing and passenger rail

These sort of experiences that right-of-way land owners have had with using their existing assets to generate new sources of revenue, many of them with Parallel Infrastructure's help, have demonstrated one innovative and substantial way to finance passenger rail in the United States.

Certainly, there are many approaches to close funding gaps, and to increase investment in our nation's transportation infrastructure and facilities. The holes are significant and the numbers are big, and a combination of approaches and solutions will be needed. One approach is to do what a leading consulting firm recently recommended when it suggested that, "one of the most powerful ways to reduce the overall cost of infrastructure is to optimize infrastructure portfolios – that is, simply to select the right combination of projects."[1] Another approach is to continue streamlining and reducing the cost of building infrastructure; while yet another is to increase fees paid by infrastructure users. But, what I'm proposing today is the easiest means of generating funding for transportation: simply focus on monetizing and maximizing the value of existing assets that lay underutilized.

At the state and local government level, the marketplace is clearly telling us that proactive right-of-way management and asset development are parts of the financing solution. With the scale of real estate assets maintained in the public sector, there is rich potential to use annuity streams generated from right-of-way real estate as collateral and to secure financing for capital projects. When one looks at companies like Parallel Infrastructure, particularly with our heritage and track record, you see an attractive option for forging a strong public-private partnership. We are a firm with the ability and willingness to use our capital to build infrastructure assets and to share the financial gains with right-of-way owners; and, I believe models such as these should be applied at the federal level as a supplemental means to provide funding for intercity passenger rail.

After years of stagnant or slow growth in passenger volumes, Amtrak has finally begun to see significant increases in ridership, reaching record numbers in the past year. Yet Amtrak's revenue still covers only a portion of its operating costs, and its capital needs far exceed annual congressional appropriations.

When you look at intercity passenger rail systems operating at distances of less than 400 miles, revenues generally exceed operating costs and therefore demonstrate viable business models. Amtrak's own operations within the Northeast Corridor show a positive balance when separated from its long-distance operations. However, passenger revenue and congressional subsidies combined do not adequately meet long-term depreciation costs within the corridor.

Amtrak's own estimates state that it will take up to 15 years to bring the Northeast Corridor to a state of good repair even if they received all their requested annual funding from Congress. We

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[1] "Infrastructure productivity: How to save $1 trillion a year", McKinsey Global Institute and McKinsey Infrastructure Practice, McKinsey & Company, January 2013.

believe that innovative private-sector partnerships can close the funding gap for our federally operated intercity passenger rail system and help shorten this time frame.

The 2008 PRIIA Act sought to enhance the relationship between the states and Amtrak, calling for more state participation, developing state rail plans and public-private partnerships. PRIIA's successor should seek to strengthen those provisions and provide the kind of incentives that take advantage of private sector expertise where appropriate, particularly if they generate dependable revenue streams that attract investment by the capital markets.

By aggressively monetizing ancillary assets through proactive right-of-way management and asset development, and by capturing land-value from station investments, private and public intercity passenger systems will be financially stronger, more viable, and better positioned to leverage steady revenue streams, revive dormant assets, and ultimately thrive in ways that have not been accomplished in the last 50 years.

Closing remarks

Let me close by saying that public-private partnership is more than a trendy buzzword. It truly is an opportunity to reach new levels of collaboration between business and government. In the case of financing intercity passenger rail, it offers a straightforward opportunity to take advantage of existing real estate assets to generate greater revenue.

For Parallel Infrastructure, and for me personally, being part of this transformation is invigorating. There are obstacles to overcome and business models will mature over time as lessons are learned from practical experience. But, taking the initial steps is always the hardest part. I am certain, though, that each subsequent step is worth taking. And the time is now for the public sector to take the step towards actively managing right-of-ways by leveraging the private sector's experience and capital.

Again, let me express my gratitude for the opportunity to participate today.

Thank you. I would be delighted to answer any questions or address any comments you might have on my testimony.

Committee on Transportation and Infrastructure

Hearing on "The Role of Innovative Finance in Intercity Passenger Rail"

Questions and Answers for the Record

August 6, 2013

Questions from Rep. Denham

Question 1:

Please provide some examples of successful leveraging of rights of way that have occurred here and internationally, and how much revenue can be unlocked from a right-of-way asset?

Answer:

I can cite several examples from within the United States, and offer insight on revenue potential. Note, however, that several factors influence right-of-way (ROW) monetization potential: rail safety and operations considerations (always front and center); population density; right-of-way span; concentration of existing rail and non-rail assets; and long-term rail development plans.

Example 1: Telecommunications infrastructure

The development and operation of wireless communications towers is a proven revenue-generating opportunity within and along rights-of-way. Our experience shows that a ROW owner – with no capital investment requirements and no operating expenses – can earn approximately $1.5 million over a 10-year period from a portfolio of just 10 towers. If a ROW owner chose to leverage this revenue stream, it could expect to receive $150-225 million (applying a 10-15x multiple) from financial markets.

An extension of this example is to place communications facilities on passenger rail cars, and allow wireless operators to access these facilities in order to improve their customers' service experience. This represents an additional source of revenue, as the carriers would pay rent to the passenger rail service provider for this access. As well, ridership would likely increase due to the improved passenger experience. This opportunity could generate approximately $5 million over ten years for an intercity line carrying 10 million passengers.

Longitudinal fiber optic lines are another type of communications facility that can generate revenue for a ROW owner. A 500 mile corridor between major cities could generate as much as $10 million per year from fiber optic network owners/operators.

Example #2: Proactive Land Leasing

Many railroads generate revenue from leasing property on or alongside rights-of-way. Based on our experience, many understaffed railway real estate departments are typically reactive when it comes to creating demand for leasing property. Considering both lease originations and higher renewal rates for existing leases, with the right focus and expertise, the revenue potential might be up to $3,000 or more of incremental revenue per ROW mile. Business process improvements, analysis of application fees, and pipe and wire crossings can add to this per-mile metric.

Example 3: Outdoor Advertising

Advertising structures are a proven revenue-generating opportunity within and alongside right of ways. The economic dynamics for a ROW owner are similar to those of a wireless communications tower, with the ROW owner investing no capital and having no operating expenses, while earning approximately $1.7 million over a 10-year period from a portfolio of just 10 billboards. A ROW owner could also choose to leverage this revenue stream given the credit worthiness of its tenant operators.

Other Opportunities

Certain parts of a corridor offer the opportunity for development of other types of infrastructure facilities, including parking, storage, and pipelines. In a densely populated corridor of 150 miles or so, revenue potential can be several million dollars per year more.

Question 2:

Are there federal policies that would be useful to make it easier for public-private partnerships to leverage railroad rights of way?

Answer:

The 2008 PRIIA does not prohibit Amtrak from contracting with third party providers to manage right of way assets or perform other non-operational functions. This type of public-private partnership is currently utilized to allow leasing and management of retail outlets at Amtrak stations such as Union Station and Penn Station. However, Congress may provide additional authority through legislation directing all federal agencies that own or manage real estate assets, including right of way, to engage the private sector to ensure they are earning maximum value for taxpayers.

Question 3:

What kinds of return are necessary for private companies to invest in projects along railroad rights of way, and how do we ensure that the railroads benefit from such investments?

Answer:

The investment returns that private companies expect and require are dependent on many factors unique to their industries and circumstances.

For a right of way (ROW) owner to participate and benefit in the sort of opportunities discussed here, it must be a competitive and reliable supplier to the companies making investments. More specifically, as a supplier of real estate assets to a firm that builds and operates wireless communications towers, fiber optic networks, pipelines, etc., it must be: pro-active at helping to realize opportunities, easy to do business with, and offer fair terms for access to its real estate.

As noted in our earlier responses, railroads benefit by having no capital or operational funding requirements, yet earn a predictable revenue stream. These, in turn, could be aggregated and leveraged to generate access to significant capital.

In addition, as part of the license terms between a ROW owner and a private company seeking to build and operate facilities in the ROW, the ROW owner can acquire access to the facilities to support its own operations, thereby eliminating capital and operating expenditures it would otherwise have had to make.

<u>Rep. Corrine Brown</u>

Question 4:

Your sister company, Florida East Coast Railway, has some recent experience with the RRIF loan program. Do you have any recommendations for improving the loan program?

Answer:

All Aboard Florida has a pending RRIF loan with the Federal Railroad Administration. While All Aboard Florida is a sister company of Parallel Infrastructure, it is operated independently of Parallel Infrastructure, with a different set of executives running that company. Hence, I ask that you contact that company's executive team directly with this question. Please note that Florida East Coast Railway is another affiliate company, also managed by a separate executive team.

Transportation for America

Testimony of John Robert Smith

Co-Chair, Transportation for America

and President & CEO, Reconnecting America

to the

U.S. House of Representatives

Committee on Transportation and Infrastructure

Subcommittee on Railroads, Pipelines, and Hazardous Materials

July 9, 2013

Testimony of John Robert Smith
Co-Chair, Transportation for America and
President & CEO, Reconnecting America
U.S. House of Representatives Committee on Transportation and Infrastructure
Subcommittee on Railroads, Pipelines, and Hazardous Materials
July 9, 2013

Chairman Denham, Ranking Member Brown, and members of the Subcommittee, thank you for the opportunity to testify today. I am John Robert Smith, Co-Chair of Transportation for America, the country's broadest and most diverse transportation coalition. Our members hail from the fields of transportation, housing, environment, public health, real estate, safety, and social equity, representing more than 500 different organizations. I am also the President and CEO of Reconnecting America, a national nonprofit that integrates transportation and community development. Reconnecting America is the managing partner of the Center for Transit-Oriented Development, which conducts research and promotes best practices in development along transit lines.

I would like to thank the Subcommittee for holding this hearing on the role of innovative finance in intercity passenger rail. Functional, safe, and efficient transportation systems are one of the cornerstones upon which this country was built. Passenger rail was an integral part of that national network long before our interstate highway system and aviation industry came into being. Today, the future of America's economic growth, energy security, and the health of our citizens depend on our ability to affordably connect people with jobs, education, healthcare, and opportunity. A well-funded, well-maintained national passenger rail system is more important to that goal than ever. With the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) set to expire on September 30, 2013, now is the time for the members of this Subcommittee to work with your colleagues throughout the Congress and in the Administration to set policies in place to help passenger rail realize its potential as a modern, efficient transportation mode that strengthens our national economy and provides transportation choices for all Americans.

As Mayor of Meridian, Mississippi for sixteen years and as a member of the Amtrak Board of Directors from 1998-2003 (Chairman from 2002-2003), I have spent much of my career finding innovative ways to fund and support transportation improvements, including building the first multimodal transportation center in the South. Based on this experience, I would like to provide the Subcommittee with three core principles to keep in mind as you draft the next authorizing legislation for passenger rail: (1) a national passenger rail system has significant economic value; (2) maximizing the value of our passenger rail system requires increased, stable, and dedicated federal funding; and (3) station area development is a promising area for utilizing innovative financing mechanisms.

I. A National Passenger Rail System Has Significant Economic Value

Americans today are using intercity passenger rail in record numbers. Amtrak, the nation's intercity passenger rail provider, carried 31.2 million passengers last year, breaking all previous ridership records. This feat is unsurprising when one considers the effects of rising gas prices, multiplying airline fees, increasing congestion on roads and in air travel, and improved performance of Amtrak in many corridors. Rail provides an affordable, convenient alternative for many trips. What is more, in our increasingly interconnected economy, a region's ability to compete relies in part on its ability to provide the transportation choices people need to be connected to the larger region and indeed, to the nation as a whole.

That is why mayors and other local elected officials are so deeply engaged on transportation issues. Even after I left office in Meridian, I have stayed in contact with local leaders around the country, who understand that in order to remain competitive their city has to offer connectivity and mobility not just for goods and materials, but for people as well. Passenger rail provides that connectivity. In some places, passenger rail means that workers can be connected to jobs, as is the case in the Northeast Corridor, along the West Coast, in the Midwest, and in several corridors in between. In others, rail service means that people can travel for recreation, supporting the tourism industry, which in some states is among the leading industries. In some of our northern and western states, rail service means that commerce and activity can continue even when highways are impassible due to heavy snows. In many communities, rail service means that seniors – a growing segment of the population - can afford to visit their families without having to brave crowded airports or congested highways. In smaller college towns, rail provides an essential connection for students seeking to enhance their education with the opportunities of a big city.

For example, the college town of Grinnell is located in a sparsely populated part of central Iowa. Grinnell is only 285 miles from Chicago, but is no longer served by passenger rail, which used to connect the two cities in only a few hours. According to Jim Reische, Vice President of Communications for Grinnell College, "Grinnell is having an increasingly hard time recruiting the world-class faculty, staff and students we need to sustain our reputation and support our community, because of the impression that we're geographically isolated." Reische believes that restoring the rail connection to Chicago is necessary for "attracting people who have competing educational or employment options in locations they largely perceive as more desirable, typically because of easier access to metropolitan areas and the associated assumptions about diversity, cultural life, etc."

Increasingly, businesses are seeking to locate in places that can provide both a high quality of life for executives and employees as well as seamless connections to the surrounding region. Young college graduates are looking for places to settle where they can have transportation options other than driving. Rural residents are looking to remain in their hometowns while still having access to regional centers for health care or other special services. The mayors and local leaders with whom I have spoken agree that these are the factors that lead to economic success – residents who want to remain, businesses and young people who want to move in. They further agree that rail service is a key component of their ability to retain and attract residents.

As of today, thirteen mayors of cities along the Gulf Coast from New Orleans, LA to Jacksonville, FL have joined together to support passenger rail service along that corridor. Service along the Gulf Coast was suspended after Hurricane Katrina in 2005 and has not been restarted, despite the fact that this corridor is experiencing rapid growth. It is the fourth largest aerospace corridor in the country, an industry that needs rapid, efficient transportation for its products and people. These mayors – who represent cities large and small along the Coast – are seeking the restoration of passenger rail service in order to allow their region to continue its strong economic growth without choking on highway and airport congestion.

Research into the economic effects of passenger rail supports the Gulf Coast mayors' conclusion about the economic potential of restored rail service. For example, three years after the Downeaster service from Boston, MA to Portland, ME started, researchers found more than $15 million in annual business sales in Maine and New Hampshire attributable to the rail service.[1] A study of the Empire Builder's impact on Montana found that direct spending in Montana by Amtrak and riders from out of state totaled between $5.3 million and $5.7 million annually, and that the benefits for Montana residents of using Amtrak intercity service (in terms of automobile costs avoided, lower accident probability, reduced highway maintenance, etc.) totaled at least $7.6 million annually.[2]

While these examples focus on specific corridors, it is important to keep in mind that the value of our passenger rail system derives from the fact that it is a national system. Just as our interstate highway system includes shorter segments, such as Interstate 97 whose entire length is located within Anne Arundel County, Maryland, and longer ones, such as Interstate 90 that runs from Boston to Seattle, our national passenger rail system is an interconnected set of corridor-based and longer distance routes. As with any network, the more connections that are made, the larger and more valuable the network becomes. If any set of connections is eliminated, e.g., through reductions in service, the value of the entire network is diminished. Conversely, by expanding service to more communities, bringing the benefits of affordable, efficient travel choices and reduced need for automobile and roadway maintenance, the economic benefits of the entire network can be increased.

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[1] "Economic Benefits of Amtrak Downeaster Service," Prepared for the Maine Department of Transportation by Economic Development Research Group, Inc. and KKO and Associates, February 2005.

[2] "Analysis of the Economic Benefits of the Amtrak Empire Builder to Montana: Report to the Montana Department of Transportation, Montana Department of Commerce, and Montana Department of Agriculture," R. L. Banks and Associates, Inc., July 2003.

The value of the network is also diminished, however, if the equipment and infrastructure are not in a state of good repair. Amtrak is currently facing a backlog of capital needs, including an estimated $52 billion through 2030 to bring the Northeast Corridor into a state of good repair and keep it there. In part this situation stems from the age of the infrastructure – in some places, trains are running through Civil War-era tunnels! – but in large part this is a result of years of underinvestment at the federal level. To ensure that our national passenger rail system achieves its maximum economic potential, we must not only improve and expand service to additional communities, we must also make the investments needed to ensure that the system is brought into a state of good repair. These threshold conditions must be met before passenger rail can become a strong candidate for innovative financing strategies.

II. Stable, Dedicated Funding Is the Foundation for Innovative Finance

Achieving the conditions discussed above requires a stable, dedicated federal funding source for intercity passenger rail's capital and operational needs. Even if innovative financing strategies ultimately do become a larger piece of the funding pie, federal support will still be necessary, as it is for every other mode of transportation in this country.

Intercity passenger rail is part of a multimodal transportation network that also includes, among other things, roads, bridges, local and regional rail and buses, and aviation. Not one of these modes fully covers its costs from its own revenues. All of them rely on public support. Amtrak has made significant improvements to its operations - last year it covered 88% of its operating costs from ticket revenues and other non-federal revenue sources. Highway user fees currently pay for only about half of the cost of building and maintaining our road network[3]. At the federal level, $41 billion of general revenues has been transferred to the Highway Trust Fund since 2008 to keep highway funding level, with another $12.6 billion authorized to be transferred in 2014. On the aviation side, federal funding supports airport infrastructure and certain operations necessary for commercial aviation to function, including air traffic control and aviation security. No other transportation mode in this country is expected to be self-sufficient, and no passenger rail system in the world is self-supporting. All receive some form of government support. As soon as we walk out onto the sidewalk in front of our home, or back out of our driveways onto the street, we are using publicly-supported infrastructure.

While passenger rail is similar to other modes in that it receives federal support as they do, it differs in a very important respect. While highways, public transit, and aviation all benefit from dedicated revenue sources deposited into Trust Funds for their use only, passenger rail in this country is funded on an annual basis from the government's general funds. As a result, rail must fight for its funding every single year. Oftentimes, there is a real threat of rail funding being slashed. The House Appropriations Committee recently proposed a FY14 Transportation-HUD bill that would cut Amtrak's funding by a third, a level that would significantly undermine the railroad's ability to continue national operations.

Although PRIIA authorized consistent and stable funding for Amtrak, that funding was not guaranteed, as most highway and transit funding is, and as a result was not provided by Congress at the authorized levels. This situation makes it extremely difficult for Amtrak to make longer-

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[3] Pew Charitable Trusts, "SubsidyScope: Analysis Finds Shifting Trends in Highway Funding: User Fees Make Up Decreasing Share", updated 25 November 2009, cited in "Do Roads Pay for Themselves? Setting the Record Straight on Transportation Funding", USPIRG Education Fund, January 2011.

term investment decisions and upgrade its current infrastructure and equipment to improve service. Imagine if your salary was up for debate at the beginning of every year. How could you ever purchase a new car to replace your old jalopy, given that payments would stretch out beyond the first year? How would you know if you could afford to fix your leaking roof next year before the hurricane season starts?

Until Amtrak is provided with stable and dedicated funding, this situation will inhibit the utilization of innovative finance strategies. Private investors in infrastructure projects make long-term commitments, not promises that can be renegotiated every year. These private companies understand the concept of "appropriations risk" – the risk that the federal portion of a project's funding will not be forthcoming in a particular year – and the higher the risk, the higher the return the private investor will require. If the risk is sufficiently high, the private partner will walk away altogether. As long as rail investment remains a political football in Congress each year, it is doubtful that private sector partners will be interested in making a long-term commitment to rail.

Real-life examples demonstrate that for many public-private partnerships, the threshold requirement is committed public funding, more so than the existence of a private partner. An often cited example of a promising public-private partnership is the Capital Beltway 495 Express Lanes in Northern Virginia. This project has a total cost of $2 billion funded through a mix of grant funding, financing, and private equity. Of this total, close to $1.7 billion involved public sector contributions with the Commonwealth of Virginia contributing $495 million in grant funds and the federal government providing almost $1.2 billion in subsidized financing tools.

The private equity portion represented the smallest percentage. Without the significant public funds and publicly subsidized financing tools, it is questionable whether this project would have been constructed.

If the Subcommittee's goal is to encourage innovative financing strategies for intercity passenger rail, a necessary first step is to develop a stable, dedicated federal funding source that can provide the resources needed both to operate and maintain a national system. We hope members of this Subcommittee and others in Congress will work expeditiously to find dedicated revenues for passenger rail as well as other surface transportation investments. The most promising near-term opportunity for identifying these needed revenues is the comprehensive tax reform legislation currently being developed. Congress should not let this opportunity pass by without addressing the need for dedicated investment in the nation's multimodal transportation system.

III. Station-Area Development Is A Promising Area for Innovative Financing

As the Subcommittee considers the role of innovative financing in intercity passenger rail, it is important to understand the economic value that can be created by focusing development and increasing intermodal connections at rail stations. The concept of transit-oriented development (TOD), while most often seen around local or regional transit stops, can also be successful around intercity passenger rail stations. These stations can be focal points for economic development, creating value that can in turn be used to support passenger rail through various "value capture" mechanisms.

When public infrastructure funding can leverage significant private-sector investment in station areas, the result creates lasting value for communities, revitalized downtowns and neighborhood centers, and increased access to economic and social opportunity. These benefits can have a transformational effect in communities. I saw this firsthand in Meridian, MS. A public-private investment turned our historic train station into the South's first multimodal transportation center and proved to be a catalyst for transforming our main street, increasing public transportation ridership, and helping to generate millions of dollars in private economic development in the surrounding neighborhoods. Historic buildings were renovated; people came back downtown to both live and work, and also for entertainment. Our city center was revived, not only for residents but for those that lived in the surrounding 11-county region. The city's investment of $1 million leveraged an additional $5 million in federal, state, and private sector dollars, which resulted in $135 million in economic development.

Meridian may have been among the first, but it is not the only community to have used its rail station as a focal point for economic development:

- Normal, Illinois built a multimodal transportation center as the anchor for redevelopment of an entire neighborhood, Uptown Normal. Using a combination of federal funding, local taxes, and tax-increment financing, the city built the center to replace an aging Amtrak station, along with other infrastructure needed to attract private development. As a result, Uptown Normal is now a vibrant neighborhood with residential, commercial, and entertainment opportunities.

- The City of Lincoln, Nebraska partnered with the University of Nebraska to turn the area around its rail station into a vibrant, mixed-use neighborhood, with a renovated rail station and new sports arena. The public bonds issued by the City and university will be repaid by sales tax revenue from activity at the sports arena and nearby hotels.
- In San Bernardino, California, the city partnered with the San Bernardino Associated Governments to restore the city's historic Santa Fe Depot. The city's goal is for the Depot to serve as a catalyst for future redevelopment in the area. The city is now planning a "Depot District" around the station, with shops, restaurants, and public gathering spaces.
- In Memphis, Tennessee, Central Station was the centerpiece of redevelopment in the neighborhood just south of the downtown business district. With connections both to Amtrak and to Memphis' trolley line, Central Station is now home to apartments on the upper floors and a banquet hall on the first floor. The station's redevelopment was also a catalyst for nearby commercial and residential development.

These examples demonstrate that there is significant economic development potential around rail stations when cities proactively plan and partner with the private sector. The federal government can help to encourage such activity by modifying its existing financing programs, including the Railroad Rehabilitation and Improvement Financing program (RRIF), to provide credit assistance for these activities. In exchange, the recipients of such assistance should ensure that a portion of the economic value created will be returned to help support capital projects or operating costs of the rail system.

The evidence to date from rail station area development as well as larger-scale transit station area development suggests that the amount of revenue such development typically returns to the transportation project is not enough to pay for all costs of constructing, maintaining, and operating that rail or transit line. In other words, capturing the value of station-area development to help defray the public infrastructure costs is an important tool in the tool box, but it does not replace the need for robust public investment. Innovative finance supplements – but does not supplant – federal funding.

Conclusion

To conclude, let me reiterate my appreciation for the Subcommittee's interest in this topic. Innovative financing can be an important component of the investment strategies for meeting our nation's passenger rail needs, as long as it rests upon the foundation of a national system with stable and dedicated federal funding. As I have said, mayors and local officials across the country with whom I have spoken support the development of dedicated funding for intercity passenger rail. I am working with them to provide a letter to the Subcommittee later this summer formally expressing their support. As the Subcommittee considers the upcoming passenger rail authorization, we stand ready to assist your efforts to ensure that our national passenger rail system can realize its full potential as a backbone of our multimodal transportation network. Again, thank you for inviting me to testify today.

Questions from Chairman Denham

1. *Under the current RRIF program, what can and can't be done to provide support for station development projects?*

   Answer: The RRIF program is narrowly tailored to provide financing for rail infrastructure. Specifically, a RRIF loan may be used to acquire, improve, or rehabilitate intermodal or rail equipment or facilities, including track, components of track, bridges, yards, buildings, and shops (i.e., the train station itself). The RRIF program may not be used for innovative concepts that can lead to both increased ridership and investments in passenger rail service. This limitation drives away millions of dollars in potential private sector development every year.

   Demand for mixed-use commercial and residential projects with direct access to transit, commuter, and passenger rail facilities is growing. Yet, these projects often fail to materialize because of barriers to financing. When real estate developers try to build around legacy stations, site preparation often includes significant upgrades to underlying infrastructure. Traditional banking institutions often will not authorize loans to cover these large upfront costs that are difficult or impossible to collateralize.

   One potential revision to the RRIF program to allow private developers (with formal approval from the applicable local and state authorities) to finance station area infrastructure could lead to valuable economic development that also significantly expands demand and ridership for passenger rail.

   Another potential option would be to promote increased public-private partnerships through the RRIF program that result in increased investment in capital or operating needs of passenger rail service. Under this concept, private developers in partnership with the local government would be allowed to apply to the RRIF program for financing to help pay for the cost of their development near a rail station. As a part of this agreement they would be obligated to make on-going contributions to capitol and/or operating needs of the passenger rail line on which the station area development is located.

   As with all loans, RRIF must be repaid with interest. Yet, expanding eligible activities to include station area development would provide a mechanism to attract private capital. The private sector developer in partnership with the local government would be responsible for repaying the loan over the amortization period while also generating new tax revenues that support rail service.

An amended RRIF program would create a win in three ways: (1) it would spur economic development currently held up by financing gaps; (2) generate new ridership for passenger rail, relieving highway congestion and strengthening the fiscal position of passenger rail operators; and (3) generating new tax revenues that could further enhance rail service.

2. *Question: Do rural train stations have any development potential or is leveraging station development mostly a financing tool for major cities?*

   Answer: Development around intercity passenger rail stations is possible in rural areas, just as it is in urban areas. Rural rail station development tends to be of a smaller scale than that which occurs in larger metropolitan areas, and is often oriented toward supporting downtown redevelopment efforts or increasing tourism. Many small towns across America are home to historic depots, which can become the symbolic centerpiece of a community's revitalization efforts.

   As I mentioned in my testimony, the redevelopment of Union Station in Meridian, Mississippi, a small city of 40,000 people, led to both public and private development of $135 million in the surrounding area, including retail, restaurants, the Mississippi State University Riley Center for Education and the Performance Arts as well as numerous residential projects. Other rural areas have similarly capitalized on their passenger rail stations. In Connellsville, Pennsylvania, with a population of 7,600, rail service is primarily used by tourists accessing the Youghiogheny River Trail. City leaders plan to focus redevelopment efforts in the area surrounding their rail station, creating a place where tourists can stay, shop, and eat, rather than merely passing through. In Brunswick, Maine, a town of about 21,000, the new Maine Street Station – built in connection with the extension of the Downeaster service from Boston – was the focal point for economic development including retail and office space, an inn, a medical center, residential units, and a branch of the Bowdoin College bookstore.

   The smaller scale of the development in rural areas makes it unlikely that it will generate enough revenue to make a significant contribution toward the cost of rail operations and maintenance; public support will still be necessary. Still, the examples above and others from across the country demonstrate that rural rail stations can serve as a catalyst for economic development in small towns, creating greater economic opportunity for rural residents.

3. *Question: You mention in your testimony the expansion of Sunset Limited to Jacksonville. Do you know Amtrak's estimated cost for restarting that service? How do you propose we finance the capital/mobilization costs?*

   In 2009, pursuant to a requirement in PRIIA, Amtrak estimated the cost of restarting the Sunset service east of New Orleans. Three options were considered: restoration of the tri-weekly Sunset Limited service, an extension of the daily Chicago-New Orleans service eastward, and a daily stand-alone train between New Orleans and Orlando. In 2012, Amtrak updated the cost estimate for the daily stand-alone train, which is the locally-preferred alternative. The capital/mobilization costs are estimated to be between $68.5 million and $122 million (in 2012 dollars). Of that amount, $45 million - $76.5 million is the cost of procuring new equipment to run the service, given Amtrak's current available equipment. However, starting in 2015, when Amtrak receives the new train cars currently being built, I am told they will have enough cars to run service along the Gulf Coast without needing to procure additional equipment, reducing that cost to zero. The other major uncertainty in the cost estimate has to do with the requirements and responsibility for implementing positive train control along that corridor. Holding PTC costs aside, and assuming equipment costs to be zero, the estimated capital/mobilization cost of starting service along the Gulf Coast is $23.5 million, which would primarily be for station restoration and ADA compliance costs. Congress could choose to provide that amount of funding as an addition to Amtrak's annual appropriation, or the communities involved could apply for funding from other grant programs, such as TIGER.

4. *Question: If Sunset East were restarted, have you estimated the amount that could be leveraged from station development including value capture strategies along that route?*

   There has not yet been a formal study of development potential around passenger rail stations along the Gulf Coast corridor. Analysis of other corridors has found that development around station areas can have significant economic benefits. For example, a 2008 study of the proposed expansion of Downeaster service in New Hampshire and Maine projected that 42,199 new housing units would need to be built around Downeaster stations through 2030, as well as 1.7 million square feet of new office space and 5.1 million square feet of new retail space, leading to $75.3 million in additional state and local tax revenues annually.[1] A study of passenger rail service in Michigan, where half of the stations see just one daily train, found interest in station area development in several cities, such as Troy, which is working to convert the current

[1] "Amtrak Downeaster: Overview of Projected Economic Impacts," Report to the Northern New England Passenger Rail Authority, by the Center for Neighborhood Technology, March 2008.

Amtrak station in neighboring Birmingham into a multimodal center in Troy.[2] The strategic plan for the new site estimates that the relocated station could help to generate as much as 300,000 square feet of retail development nearby, along with 290 new residential units. The study notes that development potential around rail stations depends upon numerous factors, including service levels and the specific location of the station. These examples suggest that with the proper planning and reliable service, station area development could occur in cities along the Gulf Coast route, in addition to other local economic benefits.

Moreover, a sound economic analysis should identify the need for and benefit of connecting the many civic, business, and public assets along the route. Restoring service to Florida would connect multiple health facilities and military bases, including the major Veterans' Administration facility in Biloxi, MS, Kessler Air Force Base, Englin Air Force Base, and Naval Air Station all in Pensacola, FL. Eastern service would connect the ports of New Orleans, LA and Mobile, AL as well as provide a series of links to the fourth largest aerospace corridor in America (Airbus will soon open large-scale operations for the final assembly of the A320 in Mobile, AL). Finally, rail service would connect numerous tourist and sporting destinations such as the New Orleans Saints, Jacksonville Jaguars, and LSU Tigers to name only a few.

Questions from Ranking Member Brown

1. *Question: You mentioned that "a national passenger rail system has significant economic value" and that "if any set of connections is eliminated, e.g., through reductions in service, the value of the entire network is diminished." Can you talk about why long distance service is important and what it contributes to the economy? What do you think will happen to the service if states are forced to pick up the tab for them?*

   Answer: Long-distance rail service is a vital part of America's transportation network because it provides people with a choice in how they travel, connecting communities to economic opportunity. In addition, many long-distance routes and corridor services feed into the Northeast Corridor. The NEC is part of the larger network and its viability is inextricably linked to the full system.

   For some people, rail is the only way they can visit dispersed family members, come home from college, or access specialized health care. For others, rail is an affordable,

[2] "Michigan Passenger Rail Station Community Benefits Study," Prepared for the Michigan Department of Transportation, by Grand Valley State University, June 2009. Beyond the development potential for station areas, the study also identified $25.7 million in other economic benefits for Michigan communities, stemming from rail passenger expenditures for hotels, taxis, and shopping.

convenient alternative to driving or flying. There are multiple economic benefits of the long-distance routes. For example, there is an economic benefit that stems from the expenditures made by the individuals who use those trains. Those dollars are spent on meals, shopping, tourist activities, and hotels in cities along the route, contributing to the local economy and providing increased tax revenue for local jurisdictions. In one study, expenditures made in Montana by riders on the Empire Builder route who are not Montana residents are estimated at $7.6 million annually.[3] Secondly, for smaller cities along the long-distance route, the train service provides them with options they would not otherwise have. Rail can be a recruitment tool to attract employers to those communities. It can help to retain young people who might otherwise leave for a big city. Rail stations can become a focal point for economic development in cities of all sizes. Other economic benefits of long-distance routes include cost savings on road maintenance and reduction in costs due to roadway accidents.

If the federal government abandons the long-distance routes to the mercy of the states, our national network will become a patchwork of unconnected services. While many states will likely recognize the benefits of this service and contribute financially, some will not, leaving sections of this country without rail service and harming the continued economic vitality of communities in those locations. Moreover, those states that choose not to fund rail service will adversely impact surrounding states, as automobile traffic in those neighboring states will increase as people drive through them to access locations in states without rail service. Take, for example, the Crescent line, which connects New Orleans with New York City through eleven states and the District of Columbia. In the absence of a national program, there is little if any chance that these disparate states could agree on a formula for allocating the costs and benefits of this service. Invariably, some states would choose to abandon the line, leaving others with no choice but to do the same. In the end, the national network would suffer along with the countless number of residents who rely on this connection to meet their mobility needs.

2. *You mentioned that maximizing the value of our passenger rail system requires increased, stable, and dedicated federal funding. Do you know if this has broad support among the mayors? How should such a trust fund be financed?*

Congress is facing a difficult set of choices regarding fiscal policy. Yet within this challenge lies an opportunity. The push for comprehensive tax reform provides an opening to raise additional revenues and place all modes of surface transportation on equal footing. The Simpson-Bowles Commission called for increasing the gas tax by fifteen cents by 2015 with revenues supporting a multimodal transportation trust fund.

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[3] "Analysis of the Economic Benefits of the Amtrak Empire Builder to Montana," A Report Prepared for the Montana Departments of Transportation, Commerce, and Agriculture, by R.L. Banks & Associates, Inc., July 2003.

In addition, Congress could impose a per barrel fee on oil (imported, domestically produced, or both). Over the longer term, Congress must take the lead and research the possible options for assessing a mileage-based user fee. Without new investments, the United States will fail to grow to its maximum potential. And without stable revenues, states, regions, cities, and towns cannot plan for the future. These investments have broad support from America's mayors who see the impacts of insufficient investment every day in their communities. As a former mayor of Meridian, Mississippi for 16 years, I know first hand how important a robust, multi-modal system is to companies big and small and to families.

3. *Question: You mentioned a letter from the mayor that you wanted inserted in the record. Please provide that letter for inclusion in the record with the responses you provide to these questions.*

   Answer: Enclosed with these responses please find two letters: one signed by 14 mayors of cities along the Gulf Coast expressing support for restoration of passenger rail in that corridor, and one from the President of Grinnell College explaining the need for passenger rail service connecting Grinnell, Iowa with Chicago. These letters demonstrate the strong support for passenger rail that I encounter across the country from local leaders who recognize that rail service would strengthen their regions' economy.

4. *Do you believe innovative financing tools are suitable replacement for strong federal support?*

   Answer: In a word: no. Passenger rail is a capital-intensive business that requires stable, predictable, and long-term funding. As I mentioned in my oral testimony, no transportation mode in the United States is self-sufficient and no rail system in the world exists without government investment. In short, all modes require investment from Congress. The question I believe the committee should ask is: what return on investment do the American people receive? With passenger rail investments, they receive critical service that connects every region of this nation, providing much-needed transportation options. In the more heavily populated Northeast Corridor, passenger rail provides mobility for millions every year. Without this service, already congested highways and airways would grind to a halt. Passenger rail is a key element of our national surface transportation system and it deserves to be placed on a sound fiscal footing as we have done with highways and public transportation systems.

5. *Question: As of today, 13 mayors of cities along the Gulf Coast from Now Orleans, Louisiana to Jacksonville, Florida have joined together in an effort to restart passenger rail service along that corridor. It was suspended after Hurricane Katrina in 2005. What can Congress do to help get that service off the ground?*

   Answer: There are a number of steps Congress could take to help restart passenger rail service along the Gulf Coast. As an initial step, Congress could provide funding for an economic impact study along the route, which would demonstrate the return on investment. Additionally, Congress can continue to provide funding for grant programs to which this corridor can apply for capital funds, such as the TIGER program. Finally, Congress can add the operational costs of this line, estimated in 2012 to be approximately $15.2 million annually, to its annual appropriations for Amtrak.

GRINNELL COLLEGE

Office of the President
Grinnell College
Grinnell, Iowa 50112-1690

641-269-3100
fax 641-269-4284
www.grinnell.edu

July 8, 2013

John Robert Smith, President and CEO
Reconnecting America
1707 L Street, N.W., Suite 210
Washington, D.C. 20036

Dear John Robert Smith,

On behalf of Grinnell College, I write to share my strongest support for the prospect of developing a passenger rail route from Omaha to Chicago, with a stop in Grinnell, Iowa.

Grinnell is one of the nation's leading liberal arts colleges. We attract an academically excellent student body from across the country and around the world. Yet research has shown that many worthy students who would greatly benefit from a Grinnell education are choosing not to apply or attend because of concerns about our perceived remoteness.

They are not wrong. Today, a Grinnell student who wants to travel to Chicago to conduct research, attend an internship or job interview, or visit family has few options. A Trailways bus stops on campus once per day at 4:30 PM and drops passengers in downtown Chicago at 10:00 PM—hardly a propitious or safe arrival time for young people unfamiliar with the city.

At many of our peer schools, rail might not be a necessary component of the solution. A student wanting to travel four hours to a large city would simply drive. But Grinnell students do not all have that luxury. Our commitment to admitting the best and brightest regardless of their financial situation means that many of our 1600 students come from families with modest resources. Only about a quarter of students have cars on campus. Passenger rail thus becomes not just a matter of convenience, but of equity: Amtrak service through Grinnell will open new educational and career development possibilities for hundreds of academically committed and globally engaged young people. It would provide an affordable (and, not trivially, environmentally-responsible) way to broaden their educational experience.

Passenger rail would also bring economic benefits. I know that you are personally well-acquainted with this fact in your former role as mayor of Meridian, MS. At Grinnell, one of the greatest benefits would come in our improved ability to recruit faculty and staff and persuade them to live in Grinnell. Grinnell competes for such candidates with schools from more populous and connected areas of the country. But these skilled professionals want to live and work in communities that are connected to the world beyond the prairie for work and family reasons. We lose at least some candidates on this basis. Among those who do accept our offers, some choose to live in Des Moines or Iowa City (each an hour away), because of the easier access to cultural amenities and national transportation hubs.

Amtrak service to Grinnell would change this locality, attracting more professionals to live in Grinnell. In a town of less than 10,000, changing the minds of even a few such individuals would measurably benefit our local economy.

Creating passenger rail would provide economic benefits in another way, too, by helping bring day-trippers and overnight visitors to Grinnell's outstanding campus art gallery and sports facilities; attend performances or lectures by renowned visiting artists and opinion makers; frequent restaurants (including the Prairie Canary, recently featured in the *New York Times*), and more. Grinnell is known as "the Jewel of the Prairie" for good reason: it is a special place with a growing reputation, and more residents of Des Moines, Iowa City, and Chicago might make it a destination if they could get here by passenger rail. Rail might even have a safety benefit, allowing people to avoid driving on I-80, which has heavy truck traffic and can be extremely dangerous during Iowa's windy, icy winters.

In closing, I see multiple potential benefits from introducing passenger rail in Iowa. Directly, of course, the College would benefit as we seek to attract students, faculty and staff from across the globe who want to enjoy an array of employment and lifestyle opportunities while still living in our small town. But, just as importantly, we believe that our town and community as a whole would benefit from a more vibrant local economy as it becomes easier for those from surrounding areas to visit and conduct business here in Grinnell.

I am grateful for your work on behalf of this project and for your efforts before the House Committee on July 9. Monica Chavez-Silva and Jim Reische from my staff are ready to do anything we can to assist you, as you strive to make the important case for passenger rail service in Iowa.

Thank you for your efforts on behalf of this important cause.

Yours,

Raynard S. Kington

CITY OF MOBILE

SAMUEL L. JONES
MAYOR

OFFICE OF THE MAYOR

AL STOKES
CHIEF OF STAFF
DONNA HAWKINS MITCHELL
EXECUTIVE ASSISTANT
JOHN BELL
PUBLIC SERVICES / WORKS DIRECTOR
ROBERT O. BOSTWICK
CULTURAL & CIVIC DEVELOPMENT DIRECTOR
BARBARA MALKOVE
FINANCE DIRECTOR
BARBARA DRUMMOND
ADMINISTRATIVE SERVICES DIRECTOR
BILL HARKINS
CITISMART COORDINATOR
LAWRENCE WETTERMARK
CITY ATTORNEY

June 28, 2013

To Federal Legislative Committee Members with responsibility over rail funding:

The following document originated in April of this year, and is in regards to the issue of Gulf Coastal passenger rail service east of New Orleans. Receiving the supporting signatures has taken considerable time due to the logistics of review and discussions, local elections, and municipal governance. It is now presented to the leadership of the Federal Legislative Committees responsible for rail appropriation funding.

During your ongoing deliberations, please take into consideration the stated level of support being presented.

We stand ready to continue this dialog.

With greatest regards,

Samuel L. Jones
Mayor

CITY OF MOBILE

OFFICE OF THE MAYOR

AL STOKES
CHIEF OF STAFF

DONNA HAWKINS MITCHELL
EXECUTIVE ASSISTANT

JOHN BELL
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BARBARA DRUMMOND
ADMINISTRATIVE SERVICES DIRECTOR

BILL HARKINS
CITISMART COORDINATOR

LAWRENCE WETTERMARK
CITY ATTORNEY

SAMUEL L. JONES
MAYOR

TO: **Leadership of Senate and House Committees and Subcommittees, with Jurisdiction over Rail, 113th Congress, 1st Session** *(List of members attached)*

FROM: Mayor Samuel L. Jones

DATE: April 2, 2013

SUBJECT: Request for Action Supporting Restoration of Gulf Coast Passenger Rail Service

The Gulf of Mexico defines a common border across political boundaries. Gulf-wide, we have created nationally significant economic development, successful responses to and recovery from natural and man-made disasters, and we are now a beacon of growth to this nation.

Since 2005, passenger rail service has been absent from New Orleans to Jacksonville, FL. Meanwhile, highway and airway transportation have become more costly and congested. With projected increases in population, business and tourism in our coastal future – it's time to restore our passenger rail service

Last fall, at a summit hosted in Mobile, Alabama, consensus was achieved among our coastal communities to have daily passenger rail service restored across the nation's gulf coast. Amtrak's 2009 P.R.I.I.A. Section 226 *"Gulf Coast Service Plan Report"* submitted to Congress discussed this situation. We understand that capital and operational cost estimates for "Option 3", the daily service option, have been updated and presented with their current appropriations request. By signature below, the mayors of the communities on the gulf coast rail route want to inform you that:

We desire restoration of Daily Passenger Rail Service, with convenient timings for population centers, connected to the national system and servicing our gulf coast from New Orleans, LA to Jacksonville, FL.

Thank you for your attention to this issue. If there are any questions regarding our activities supporting passenger rail service restoration, my office will gratefully assist in finding answers.

SLJ/sl

Attachments: Supporting Mayors Signature List
Courtesy Copies: (List attached)

P. O. BOX 1827 • MOBILE, ALABAMA 36633-1827

Leadership of Senate and House Committees and Subcommittees with Jurisdiction over Rail 113th Congress, 1st Session

Senate Committee on Commerce, Science and Transportation

Jay Rockefeller (D-WV), Chair
John Thune (R-ND), Ranking Member

Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security

Frank R. Lautenberg (D-NJ), Chair
Roy Blunt (R-MO), Ranking Member

House Committee on Transportation and Infrastructure

Bill Shuster (R-PA), Chair
Nick J. Rahall II (D-WV), Ranking Member

Subcommittee on Railroads, Pipelines and Hazardous Materials

Jeff Denham (R-CA), Chair
Corrine Brown (D-FL), Ranking Member

Senate Committee on Appropriations

Barbara A. Mikulski (D-MD), Chair
Richard C. Shelby (R-AL), Ranking Member

Subcommittee on Transportation, HUD and related agencies

Patty Murray (D-WA), Chair
Susan Collins (R-ME), Ranking Member

House Committee on Appropriations

Harold Rogers (R-KY), Chair
Nita M. Lowey (D-NY), Ranking Member

Subcommittee on Transportation, HUD and related agencies

Tom Latham (R-IA), Chair
Ed Pastor (D-AZ), Ranking Member

SIGNATORIES
Request for Action
Supporting Restoration of Gulf Coast Passenger Rail Service

Mitch Landrieu, Mayor, City of New Orleans, LA

A.J. Holloway, Mayor, City of Biloxi, MS

George Schloegel, Mayor, City of Gulfport, MS

Robbie Maxwell, Mayor, Pascagoula, MS

Samuel L. Jones, Mayor, City of Mobile, AL

Robert Wills, Mayor, City of Bay Minette, AL

Jim Staff, Mayor, City of Atmore, AL

David Cadle, Mayor, City of Crestview, FL

SIGNATORIES
Request for Action
Supporting Restoration of Gulf Coast Passenger Rail Service

Guy Thompson, Mayor, City of Milton, FL

Linda Cain, Mayor, City of Chipley, FL

Bob Campbell, Mayor, DeFuniak Springs, FL

John Marks, III, Mayor, City of Tallahassee, FL

Rayne Cooks, Mayor, City of Madison, FL

Alvin Brown, Mayor, City of Jacksonville, FL

"Dedicated to Excellence . . .
People Serving People"

April 17, 2013

Dear Leaders,

Please add Panama City, Florida to the list of cities that support and request the restoration of passenger rail service along the Gulf Coast.

Since the devastation of Hurricane Katrina in 2005, this important economic "engine" has been absent from the Gulf Coast. Train travelers are smart and savvy and realize that train travel is one of the safest, most economical and environmentally friendly means of getting from point A to point B. For almost eight years traveling by train from Jacksonville to New Orleans has not been an option, this must change.

Last year I was honored to join Mayor Samuel Jones in Mobile while this very subject was discussed, explored and considered among mayors from all along the Gulf Coast. Karen Hedlund, Deputy Administrator of the Federal Railroad Administration, was on hand to speak and answer questions. In my opinion, the consensus of this group is that passenger rail service needs to be restored immediately.

I thank you for your attention to this issue and I am available to share my concerns and comments with you at anytime. Please feel free to contact me at 850-872-3001 or by email at brader@pcgov.org.

Sincerely,

Billy Rader, Commissioner Ward III and Mayor Pro Tem

Resolution 2013-26

WHEREAS, the Okaloosa-Walton Transportation Planning Organization (TPO) is the organization designated by the Governors of Florida as being responsible, together with the State of Florida, for carrying out the continuing, cooperative and comprehensive transportation planning process for the Okaloosa-Walton TPO Planning Area; and

WHEREAS, before Hurricane Katrina, Amtrak's *Sunset Limited* passenger line served railroad travelers as the only transcontinental passenger rail service from Los Angeles passing through New Orleans and Mobile to Jacksonville; and

WHEREAS, Hurricane Katrina damaged a portion of the rail infrastructure along the Gulf Coast as well as caused the loss of other portions of the infrastructure, including the total loss of Mobile's passenger rail terminal facility; and

WHEREAS, Amtrak suspended all service on the eastern portion of the *Sunset Limited* line from New Orleans through Mobile, Pensacola, Tallahassee, Jacksonville and Orlando; and

WHEREAS, CSX, and Norfolk Southern (the freight railroad companies that own the tracks on which passenger rail serve on the Gulf Coast will operate) have both committed to cooperating with Amtrak in providing this vital service along the eastern Gulf Coast and to do so in a more efficient manner than prior to Hurricane Katrina; and

WHEREAS, the population growth along the Gulf Coast is projected to continue, restoration of passenger rail service to the eastern Gulf Coast will facilitate job creation through development opportunities and alternative transportation options for commuters, enhance tourism, reduce environmental impacts due to personal automobile use, reduce roadway impacts due to personal vehicular use, thereby having a positive economic and environmental impact to the coastal states of Louisiana, Mississippi, Alabama, and Florida; and

WHEREAS, such resumption of passenger rail service will also benefit the entire nation by providing a link to the Gulf Coast from the Midwest and West Coast; and

WHEREAS, a Passenger Rail Investment and Improvement Act of 2008 called for Amtrak to study the potential return of passenger rail service from New Orleans to Jacksonville.

NOW THEREFORE BE IT RESOLVED by the Walton County Board of County Commissioners that the TPO recommends the return of the passenger rail service along the Gulf Coast.

DULY ADOPTED THIS ~~14th~~ 28 day of May, 2013 by the Walton County Board of County Commissioners, DeFuniak Springs, Florida.

APPROVED: ____________________
Kenneth Pridgen, Chairman

ATTEST:

for ____________________
Alex Alford, Clerk of Court

CERTIFIED A TRUE COPY
May 28 2013
ALEX ALFORD
CLERK OF COURTS &
COUNTY COMPTROLLER
WALTON COUNTY, FLORIDA
BY: ____________________
DEPUTY CLERK

RESOLUTION 2012-13

A RESOLUTION OF THE WALTON COUNTY BOARD OF COUNTY COMMISSIONERS SUPPORTING JOINT RESOLUTION 2012-01-19-03 OF THE NORTHWEST FLORIDA LEAGUE OF CITIES AND THE SUWANNEE RIVER LEAGUE OF CITIES.

Be it resolved by the Walton County Board of County Commissioners, as follows:

The Board of County Commissioners realizes that rail passenger service is an important and vital mobility transportation mode for North Florida residents and for those that want to travel and visit North Florida destinations. The Board believes that it is in the best interest of the citizens of Walton County to have an Amtrak stop in Walton County. The Board wishes to join in Joint Resolution 2012-01-19-03 with the Northwest Florida League of Cities and the Suwannee River League of Cities.

Therefore, the Walton County Board of County Commissioners agree to jointly participate with the Northwest Florida League of Cities and the Suwannee River League of Cities in requesting Amtrak to restore the Sunset Rail Passenger Service and expand the number of municipal passenger stops across Northwest and North Central Florida.

DULY ADOPTED this 28th day of February 2012 by the Walton County Board of County Commissioners.

ATTEST: Martha Ingle, Clerk APPROVED: Scott A. Brannon, Chairman

West Florida Regional Planning Council

David Cadle, Chair
Thomas Abbott, Vice-Chair

Terry A. Joseph, Executive Director

P.O. Box 11399 • Pensacola, FL 32524 • P: 850.332.7976 • 1.800.226.8914 • F: 850.637.1932 • www.wfrpc.org

May 1, 2013

Mayor Samuel L. Jones
City of Mobile
P.O. Box 1827
Mobile, AL 36633-1827

Dear Mayor Jones:

Please find enclosed five (5) signed original resolutions supporting restoration of the passenger rail service along the suspended route. We hope that these resolutions will help to send a clear message that there is interest and support in northwest Florida for restoration of the service.

The resolutions are from the following Boards:

(1) West Florida Regional Planning Council
(2) Florida-Alabama Transportation Planning Organization (TPO)
(3) Okaloosa-Walton TPO
(4) Northwest Florida Regional TPO
(5) Bay County TPO

Let us know if we can be of further assistance. We look forward to attending the next passenger rail summit.

Sincerely,

Terry A. Joseph
Executive Director

Mary Bo Robinson
Director, Transportation Planning

Florida-Alabama TPO Transportation Planning Organization · Okaloosa-Walton Transportation Planning Organization OWTPO · Bay County TPO · Northwest Florida Regional TPO

RESOLUTION 2013-03

A RESOLUTION OF THE WEST FLORIDA REGIONAL PLANNING COUNCIL SUPPORTING RESTORATION OF PASSENGER RAIL SERVICE BETWEEN NEW ORLEANS, LOUISIANA AND JACKSONVILLE, FLORIDA

WHEREAS, before Hurricane Katrina, Amtrak's *Sunset Limited* passenger line served railroad travelers as the only transcontinental passenger rail service from Los Angeles passing through New Orleans and Mobile to Orlando; and

WHEREAS, Hurricane Katrina damaged a portion of the rail infrastructure along the Gulf Coast as well as caused the loss of other portions of the infrastructure, including the total loss of Mobile's passenger rail terminal facility; and

WHEREAS, Amtrak suspended all service on the eastern portion of the *Sunset Limited* line from New Orleans through Mobile, Pensacola, Crestview, Chipley, Tallahassee, and Jacksonville to Orlando; and

WHEREAS, CSX, and Norfolk Southern (the freight railroad companies that own the tracks on which passenger rail service on the Gulf Coast will operate) have both committed to cooperating with Amtrak in providing this vital service along the eastern Gulf Coast and to do so in a more efficient manner than prior to Hurricane Katrina; and

WHEREAS, the population growth along the Gulf Coast is projected to continue, restoration of passenger rail service to the eastern Gulf Coast will facilitate job creation through development opportunities and alternative transportation options for commuters, enhance tourism, and reduce environmental and roadway impacts due to personal automobile use, thereby having a positive economic and environmental impact to the coastal states of Louisiana, Mississippi, Alabama, and Florida; and

WHEREAS, such resumption of passenger rail service will also benefit the entire nation by providing a link to the Gulf Coast from the Midwest and West Coast; and

WHEREAS, the Passenger Rail Investment and Improvement Act of 2008 called for Amtrak to study the potential return of passenger rail service from New Orleans to Orlando;

NOW, THEREFORE BE IT RESOLVED BY WEST FLORIDA REGIONAL PLANNING COUNCIL THAT:

The WFRPC recommends and supports the restoration of dependable, daily passenger rail service along the suspended route from New Orleans, LA to Jacksonville, FL and on to Orlando, FL.

Duly passed and adopted by the West Florida Regional Planning Council on this 15th day of April, 2013.

WEST FLORIDA REGIONAL PLANNING COUNCIL

BY: David Cadle
David Cadle, Chairman

ATTEST: [signature]
Terry A. Joseph, Executive Director
West Florida Regional Planning Council

West Florida Regional Planning Council

RESOLUTION FL-AL 13-11

A RESOLUTION OF THE FLORIDA-ALABAMA TRANSPORTATION PLANNING ORGANIZATION SUPPORTING RESTORATION OF PASSENGER RAIL SERVICE BETWEEN NEW ORLEANS, LOUISIANA AND JACKSONVILLE, FLORIDA

WHEREAS, the Florida-Alabama Transportation Planning Organization (TPO) is the organization designated by the Governors of Florida and Alabama as being responsible, together with the States of Florida and Alabama, for carrying out the continuing, cooperative and comprehensive transportation planning process for the Florida-Alabama TPO Planning Area; and

WHEREAS, before Hurricane Katrina, Amtrak's *Sunset Limited* passenger line served railroad travelers as the only transcontinental passenger rail service from Los Angeles passing through New Orleans and Mobile to Orlando; and

WHEREAS, Hurricane Katrina damaged a portion of the rail infrastructure along the Gulf Coast as well as caused the loss of other portions of the infrastructure, including the total loss of Mobile's passenger rail terminal facility; and

WHEREAS, Amtrak suspended all service on the eastern portion of the *Sunset Limited* line from New Orleans through Mobile, Pensacola, Crestview, Chipley, Tallahassee, and Jacksonville to Orlando; and

WHEREAS, CSX, and Norfolk Southern (the freight railroad companies that own the tracks on which passenger rail service on the Gulf Coast will operate) have both committed to cooperating with Amtrak in providing this vital service along the eastern Gulf Coast and to do so in a more efficient manner than prior to Hurricane Katrina; and

WHEREAS, the population growth along the Gulf Coast is projected to continue, restoration of passenger rail service to the eastern Gulf Coast will facilitate job creation through development opportunities and alternative transportation options for commuters, enhance tourism, and reduce environmental and roadway impacts due to personal automobile use, thereby having a positive economic and environmental impact to the coastal states of Louisiana, Mississippi, Alabama, and Florida; and

WHEREAS, such resumption of passenger rail service will also benefit the entire nation by providing a link to the Gulf Coast from the Midwest and West Coast; and

WHEREAS, the Passenger Rail Investment and Improvement Act of 2008 called for Amtrak to study the potential return of passenger rail service from New Orleans to Orlando;

NOW, THEREFORE, BE IT RESOLVED BY THE FLORIDA-ALABAMA TRANSPORTATION PLANNING ORGANIZATION THAT:

The TPO recommends and supports the restoration of dependable, daily passenger rail service along the suspended route from New Orleans, LA to Jacksonville, FL and on to Orlando, FL. Passed and duly adopted by the Florida-Alabama Transportation Planning Organization on this 10th day of April 2013.

FLORIDA-ALABAMA TRANSPORTATION PLANNING ORGANIZATION

BY: ______________________
Lane Lynchard, Chairman

ATTEST: ______________________

RESOLUTION O-W 13-04

A RESOLUTION OF THE OKALOOSA-WALTON TRANSPORTATION PLANNING ORGANIZATION SUPPORTING RESTORATION OF PASSENGER RAIL SERVICE BETWEEN NEW ORLEANS, LOUISIANA AND JACKSONVILLE, FLORIDA

WHEREAS, the Okaloosa-Walton Transportation Planning Organization (TPO) is the organization designated by the Governor of Florida as being responsible, together with the State of Florida, for carrying out the continuing, cooperative and comprehensive transportation planning process for the Okaloosa-Walton TPO Planning Area; and

WHEREAS, before Hurricane Katrina, Amtrak's *Sunset Limited* passenger line served railroad travelers as the only transcontinental passenger rail service from Los Angeles passing through New Orleans and Mobile to Orlando; and

WHEREAS, Hurricane Katrina damaged a portion of the rail infrastructure along the Gulf Coast as well as caused the loss of other portions of the infrastructure, including the total loss of Mobile's passenger rail terminal facility; and

WHEREAS, Amtrak suspended all service on the eastern portion of the *Sunset Limited* line from New Orleans through Mobile, Pensacola, Crestview, Chipley, Tallahassee, and Jacksonville to Orlando; and

WHEREAS, CSX, and Norfolk Southern (the freight railroad companies that own the tracks on which passenger rail service on the Gulf Coast will operate) have both committed to cooperating with Amtrak in providing this vital service along the eastern Gulf Coast and to do so in a more efficient manner than prior to Hurricane Katrina; and

WHEREAS, the population growth along the Gulf Coast is projected to continue, restoration of passenger rail service to the eastern Gulf Coast will facilitate job creation through development opportunities and alternative transportation options for commuters, enhance tourism, reduce environmental and roadway impacts due to personal automobile use, thereby having a positive economic and environmental impact to the coastal states of Louisiana, Mississippi, Alabama, and Florida; and

WHEREAS, such resumption of passenger rail service will also benefit the entire nation by providing a link to the Gulf Coast from the Midwest and West Coast; and

WHEREAS, the Passenger Rail Investment and Improvement Act of 2008 called for Amtrak to study the potential return of passenger rail service from New Orleans to Orlando;

NOW, THEREFORE, BE IT RESOLVED BY THE OKALOOSA-WALTON TRANSPORTATION PLANNING ORGANIZATION THAT:

The TPO recommends and supports the restoration of dependable, daily passenger rail service along the suspended route from New Orleans, LA to Jacksonville, FL and on to Orlando, FL.

Passed and duly adopted by the Okaloosa-Walton Transportation Planning Organization on this 18th day of April 2013.

OKALOOSA-WALTON TRANSPORTATION PLANNING ORGANIZATION

BY: [signature]
James T. Wood, Jr., Chairman

ATTEST: [signature]

RESOLUTION NWFL 13-03

A RESOLUTION OF THE NORTHWEST FLORIDA REGIONAL TRANSPORTATION PLANNING ORGANIZATION SUPPORTING RESTORATION OF PASSENGER RAIL SERVICE BETWEEN NEW ORLEANS, LOUISIANA AND JACKSONVILLE, FLORIDA

WHEREAS, the Northwest Florida Regional Transportation Planning Organization was created by an interlocal agreement between the Florida-Alabama Transportation Planning Organization and the Okaloosa-Walton Transportation Planning Organization to study regional transportation issues affecting a four-county region; and

WHEREAS, the interlocal agreement creating the Northwest Florida RTPO implements a coordinated planning process for producing a regional transportation plan, regional transportation project priorities, and a regional public involvement plan; and

WHEREAS, before Hurricane Katrina, Amtrak's *Sunset Limited* passenger line served railroad travelers as the only transcontinental passenger rail service from Los Angeles passing through New Orleans and Mobile to Orlando; and

WHEREAS, Hurricane Katrina damaged a portion of the rail infrastructure along the Gulf Coast as well as caused the loss of other portions of the infrastructure, including the total loss of Mobile's passenger rail terminal facility; and

WHEREAS, Amtrak suspended all service on the eastern portion of the *Sunset Limited* line from New Orleans through Mobile, Pensacola, Crestview, Chipley, Tallahassee, and Jacksonville to Orlando; and

WHEREAS, CSX and Norfolk Southern (the freight railroad companies that own the tracks on which passenger rail service on the Gulf Coast will operate) have both committed to cooperating with Amtrak in providing this vital service along the eastern Gulf Coast and to do so in a more efficient manner than prior to Hurricane Katrina; and

WHEREAS, population growth along the Gulf Coast is projected to continue, restoration of passenger rail service to the eastern Gulf Coast will facilitate job creation through development opportunities and alternative transportation options for commuters, enhance tourism, reduce environmental and roadway impacts due to personal automobile use, thereby having a positive economic and environmental impact to the coastal states of Louisiana, Mississippi, Alabama, and Florida; and

WHEREAS, such resumption of passenger rail service will also benefit the entire nation by providing a link to the Gulf Coast from the Midwest and West Coast; and

WHEREAS, the Passenger Rail Investment and Improvement Act of 2008 called for Amtrak to study the potential return of passenger rail service from New Orleans to Orlando;

NOW, THEREFORE, BE IT RESOLVED BY THE NORTHWEST FLORIDA REGIONAL TRANSPORTATION PLANNING ORGANIZATION THAT:

The RTPO recommends and supports the restoration of dependable, daily passenger rail service along the suspended route from New Orleans, LA to Jacksonville, FL and on to Orlando, FL.

Passed and duly adopted by the Northwest Florida Regional Transportation Planning Organization on this 17th of April 2013.

NORTHWEST FLORIDA REGIONAL TRANSPORTATION PLANNING ORGANIZATION

BY: Gene M. Valentino

Gene Valentino, Chairman

ATTEST: [signature]

James T. Ward

RESOLUTION BAY 13-07

A RESOLUTION OF THE BAY COUNTY TRANSPORTATION PLANNING ORGANIZATION SUPPORTING RESTORATION OF PASSENGER RAIL SERVICE BETWEEN NEW ORLEANS, LOUISIANA AND JACKSONVILLE, FLORIDA

WHEREAS, the Bay County Transportation Planning Organization (TPO) is the organization designated by the Governor of Florida as being responsible, together with the State of Florida, for carrying out the continuing, cooperative and comprehensive transportation planning process for the Bay County TPO Planning Area; and

WHEREAS, before Hurricane Katrina, Amtrak's *Sunset Limited* passenger line served railroad travelers as the only transcontinental passenger rail service from Los Angeles passing through New Orleans and Mobile to Orlando; and

WHEREAS, Hurricane Katrina damaged a portion of the rail infrastructure along the Gulf Coast as well as caused the loss of other portions of the infrastructure, including the total loss of Mobile's passenger rail terminal facility; and

WHEREAS, Amtrak suspended all service on the eastern portion of the *Sunset Limited* line from New Orleans through Mobile, Pensacola, Crestview, Chipley, Tallahassee, and Jacksonville to Orlando; and

WHEREAS, CSX and Norfolk Southern (the freight railroad companies that own the tracks on which passenger rail service on the Gulf Coast will operate) have both committed to cooperating with Amtrak in providing this vital service along the eastern Gulf Coast and to do so in a more efficient manner than prior to Hurricane Katrina; and

WHEREAS, the population growth along the Gulf Coast is projected to continue, restoration of passenger rail service to the eastern Gulf Coast will facilitate job creation through development opportunities and alternative transportation options for commuters, enhance tourism, and reduce environmental and roadway impacts due to personal automobile use, thereby having a positive economic and environmental impact to the coastal states of Louisiana, Mississippi, Alabama, and Florida; and

WHEREAS, such resumption of passenger rail service will also benefit the entire nation by providing a link to the Gulf Coast from the Midwest and West Coast; and

WHEREAS, the Passenger Rail Investment and Improvement Act of 2008 called for Amtrak to study the potential return of passenger rail service from New Orleans to Orlando;

NOW, THEREFORE, BE IT RESOLVED BY THE BAY COUNTY TRANSPORTATION PLANNING ORGANIZATION THAT:

The TPO recommends and supports the restoration of dependable, daily passenger rail service along the suspended route from New Orleans, LA to Jacksonville, FL and on to Orlando, FL.

Passed and duly adopted by the Bay County Transportation Planning Organization on this 24th day of April 2013.

BAY COUNTY TRANSPORTATION PLANNING ORGANIZATION

BY: ______________________
Mike Nelson, Chairman

ATTEST: ______________________