Statement of the

Honorable John D. Porcari

Deputy Secretary of Transportation

Before

The Committee on Commerce, Science and Transportation

United States Senate

The Federal Role in National Transportation Policy

September 15, 2010

Chairman Rockefeller, Ranking Member Hutchison and members of the Committee: I am honored to appear before you today on behalf of President Obama and Secretary of Transportation Ray LaHood to discuss the rail industry as it continues to evolve to meet this Nation's transportation needs.

The Administration's Transportation Strategic Goals

Throughout the history of this nation, transportation has played a key foundational role in economic development, providing for the common defense, and in defining a quality of life that is the envy of the world. Today the U.S. has the best transportation system in the world. But this system must continue to evolve if we are to remain the global leader in coming decades. As we develop policies that impact transportation, we must look at transportation from a system perspective. It is in this context that the Department has identified five strategic goals that will guide the Department in meeting the challenges of transportation in the 21st Century. These are:

- Safety: Improve public health and safety by reducing transportation-related fatalities and injuries.
- State of Good Repair: Ensure the U.S. proactively maintains its critical transportation infrastructure in a state of good repair to preserve transportation safety, reliability, capacity and efficiency.
- Economic Competitiveness: Promote transportation policies and investments that bring lasting and equitable benefits to the Nation and its citizens, including the encouragement of expanded transportation-oriented domestic manufacturing much like that spurred by the growth of the railroads in the 19th Century and the automobile industry in the 20th Century.
- Livable Communities: Foster livable communities through place-based policies and investments that increase transportation choices and access to transportation services.
- Environmental Sustainability: Advance environmentally sustainable policies and investments that reduce carbon and other harmful emissions from transportation sources and lessen transportation's dependence on fossil fuels.

In developing our policy, legislative and funding initiatives, we at the Department are moving beyond traditional modal programmatic stereotypes. We are looking at transportation policy and investment from a bottom-line perspective. We are asking where does our policy emphasis and transportation investment yield the greatest benefit when viewed against these goals?

A challenge in taking such an approach is that it forces us to look beyond existing policy and programmatic structures. The traditional Federal approach to rail transportation, certainly for the last several generations, has been markedly different than the approach to other forms of transportation. While we have made significant public investments in highway, aviation, transit and waterway infrastructure over the past 30 years, the same cannot be said for rail.

The Administration believes that we need to take a new look at rail transportation – both freight and passenger. Indeed, freight rail has often been off our radar screens except when there was an accident. Yet 40 percent of U.S. freight, when measured on a ton-mile basis, moves by rail. Intercity passenger rail also plays a significant role in meeting mobility needs in several intercity corridors; and commuter rail service has experienced a sustained period of growth.

Rail Aigns Well the Department's Strategic Goals:

Rail is safe. According to the Bureau of Transportation Statistics' *National Transportation Statistics, 2010* the fatality rate related to movement of intermodal containers by rail is nine times better than moving similar containers by highway. Passenger rail is also safer than travel by auto.

Rail is an efficient user of infrastructure and right-of-way thus having a positive effect on our efforts to maintain assets in a state of good repair and to offset the demand for investments in other forms of transportation. Some estimate that to compensate for shutting down Amtrak's Northeast Corridor would require the addition of seven new lanes to I-95. Given the cost of highway construction, particularly in urban areas, rail construction is a sound investment. On the freight side, a single intermodal train moves the equivalent of 300 truck movements. And, as I will discuss later, for the last 30 years, freight rail service has consistently attracted private capital into building and maintaining needed infrastructure.

Rail contributes to our economic competitiveness. Rail's efficient access to ports facilitates the global trade for key areas of our economy such as agriculture. Rail investment also offers a significant opportunity to develop and expand domestic manufacturing in the atrophied rail supply industries. Rail is integral to the development and growth of our nation's regional economies.

Rail transportation can be a key element of our strategies for enhancing the livability of our communities. Rail transportation played a key role in the development of the U.S. in the 19th and first half of the 20th Century. Many communities grew up around their rail connection. Now those urban rail corridors offer significant opportunities to increase public transportation and reduce dependence upon single passenger automobile travel. But this must be done without impacting critical freight mobility.

Approximately 57 percent of petroleum used in the U.S. is imported, and approximately 71 percent of U.S. consumption of petroleum is by the transportation sector (of which rail's share is 2.13 percent). Studies by the Federal Railroad Administration have concluded that transporting freight by rail, when measured on a gallons per ton-mile basis, is 3 to 4 times more energy efficient than moving that same freight over a highway. Passenger rail is 21 percent more energy efficient when measured on a BTUs per passenger mile basis. (The FRA fuel use study can be found at http://www.fra.dot.gov/Downloads/Comparative_Evaluation_Rail_Truck_Fuel_Efficiency.pdf.) Not only does rail offer the opportunity to reduce our dependence on petroleum products but also the greenhouse emissions that result.

The Department's experience with the Transportation Investment Generating Economic Recovery (TIGER) Grants offers testament to the strength of rail as part of a truly modal neutral transportation system where decisions are based on efficiency and performance. Authorized by the American Recovery and Reinvestment Act (ARRA), the TIGER grants were the first discretionary modal neutral program where investments decisions would be based upon objective results-based criteria and not upon allocation of resources into specified modal stovepipes. In this competitive decision-making environment, rail projects received the greatest allocation of funds. This allocation is even more significant when one realizes that freight rail projects do not traditionally compete for public funds.

Passenger Rail initiative and Freight Railroads

The President's High-Speed Intercity Passenger Rail (HISPR) Program is one of the Administration's most high-profile transportation initiatives. Through this program we seek to bring the benefits of high performing intercity passenger rail service to regions across the country. Our vision is of a multi-tiered passenger rail network, with services that are designed to meet the mobility demand of the regions they serve, and that are integrated in the local public and highway systems. Thus, at one end of the spectrum we envision services at sustained peak speeds of 150 to 220 mph, on dedicated infrastructure, serving large urban areas (what we are calling High-speed Rail Express), particularly those experiencing highway and airline congestion. As part of the network, we also envision a Regional network linking the Express service to mid-sized urban areas with convenient, frequent service at sustained peak speeds of 90 to 125 mph. We see Emerging high-speed rail and Feeder routes that will connect regional urban areas to the intercity passenger rail network.

We envision that Regional, Emerging and Feeder elements of the passenger rail network will be built upon a mixture of dedicated rail infrastructure and infrastructure and/or rights-of-way shared with freight operations. It is the shared track and rights of way that have caused some concerns within the freight rail industry, which I wish to address here.

The Interstate Highway program is now over 50 years old – 50 years in which to develop procedures, regulations, guidance and precedent that define the relationships of the various participants. By contrast, the President's new program investing in high-speed and improved intercity passenger rail is still in its formative stages. In the absence of such a well defined program such as exists for highways, it is understandable that there would be some degree of concern on the part of the private sector freight railroads, over the specifics of investments in improved passenger rail on rights of way, including infrastructure they own and operate for the financial benefit of their shareholders. We in the Department are attempting to provide clarity to the basic relationships between private freight railroads and the States that will need to exist to make the program successful.

Our top priority is and always will be safety. Beyond that, we have identified the key elements that must be in the agreement between the State and its key stakeholder, the private freight railroad. These elements are:

- America's world-class freight rail system must be preserved and improved.
- HSIPR grants are for the benefit of existing or future intercity passenger rail service and will fund infrastructure improvements necessary to ensure a high level of performance.
- Agreements must achieve the necessary balance to protect both the private and public interests.
- Agreements must achieve and maintain quantifiable performance outcomes based upon objective, mutually agreed-upon analysis/modeling including:
    - operating slots/frequencies
    - trip times
    - reliability (to the extent it is under a party's control).

In its most basic terms, the States and the Federal Government are seeking to purchase, through capital investments, specific performance for passenger rail service improved or expanded under this program. We are not looking for the freight railroads to participate in the new HSIPR program beyond their current obligations under the Railroad Passenger Service Act of 1970 and the Passenger Rail Investment and Improvement Act of 2008 without compensation. On the other hand, it is not the purpose of HSIPR funds to add freight capacity, except where the freight railroad is a financial participant in the specific improvements.

This summer, we experienced a pause in all State negotiations of stakeholder agreements as the freight railroads absorbed the meaning of their obligations where public funds improved their infrastructure or other assets. I am happy to report that in recent weeks we have seen stakeholder agreements that meet our bottom line principles reached between the Northern New England Passenger Rail Authority and Pan Am Railways for improvements between Portland and Brunswick, ME; between Vermont and the New England Central Railroad (NECR) subsidiary of Rail America for improvements to the rail line between Brattleboro and St. Albans, VT; and between Washington State and the Burlington Northern Santa Fe Railway (BNSF) for improvements between Seattle, WA and Portland, OR.

The agreements reflect real progress. The Department understands that other stakeholder agreements based upon the principles articulated above are in advanced stages of discussion. Unfortunately, we understand that in other corridors, progress has not been as promising. Some States have suggested that they be given the right of access to freight railroad infrastructure in a manner analogous to Amtrak, for the purpose of implementing the Administration's new passenger rail program. The Department remains hopeful that the freight railroads will see an alignment between their interests and those of the public in the success of this new program, just as have BNSF, NECR, and Pan Am. Thus at this time we are not proposing inclusion of the legislation requested by the States into any bills pending before this Committee.

Rail As A Means To Meet Freight Mobility Needs

As we move from the recession to economic expansion, the freight rail movements needed to support our economy will grow. Based upon past experience as documented by the U.S. Census Bureau's Commodity Flow Survey, it is not unreasonable to expect that the freight tonnage hauled in 25 years will be nearly 25 percent greater than what is hauled today. Our present transportation system cannot handle such growth without changes in how we do things. Success for our economy in the future will take policies and investments that improve our capacity and efficiency beginning today.

Rail today carries 40 percent of the total domestic freight movements. The Department believes that increasing that percentage could be a cost-effective approach to meeting our stated strategic goals. Increasing the percentage of certain intermodal movements could be particularly telling on the investment needs in other forms of transportation. To be clear, this does not imply disinvesting in highways or waterways. Indeed, transportation of freight will grow on all modes of transportation in the future. It means developing policies and investments that place all the modes on a level playing field where objective, merit-based measures define how the Department's limited resources will be used in the future to ensure that each mode operates as efficiency as possible. This will be one of the guiding principles as the Department considers options for reauthorization of surface transportation legislation.

One attribute of the freight railroad segment of the rail industry has been its ability over the last 30 years to attract private capital for infrastructure investment. Not so long ago, certainly within the professional careers of several in this room, this was not the case. Large segments of the rail industry were in bankruptcy protection or Federal ownership. We certainly do not want to go back that era. We learned then and know now that Federal funding cannot alone sustain a healthy freight rail industry.

Affordable Federal investment options for the future will most likely be focused on addressing bottlenecks, much as the Alameda Corridor does in Los Angeles and the CREATE Project is designed to do in Chicago. This will mean that freight railroads will need to be profitable to attract the level of private capital investment necessary to assure that the rest of their systems as a whole are built and maintained to meet our freight mobility needs of the future. This is particularly true given a number of new initiatives underway including implementing positive train control, new air quality standards for locomotives, and new security initiatives.

At the same time, public policy needs to be sensitive to shippers who have limited transport options. Freight railroads must be able to earn enough to assure we avoid another era of the downward spiral of declining service quality, declining investment, and declining revenue. On the other hand, freight railroad profitability should not be tied solely to revenues from shippers with limited transportation options. Finding the correct balance will be difficult and we need to recognize that history would indicate that we will be very fortunate indeed if we find this balance the first time. (The Staggers Rail Act of 1980 was the fourth piece of legislation enacted within a decade to address the rail financial crisis.) So any policy changes need to include provisions for quick correction if they are found to be detrimental to transportation investment.

In closing, America's economy depends upon an efficient, safe and reliable transportation system. The Obama Administration believes that rail can play an increasingly important role in meeting our freight and passenger mobility needs. But this cannot be just a responsibility of the Administration and the Congress. It requires commitments from our States and local partners. They too need to put into place the appropriate policies, program structures and investments, both public and private to achieve this enhanced opportunity for rail. It also requires that our the private sector partners' policies recognize that the larger public interest in rail transportation, in particular passenger rail transportation, is foundational to achieving that part of the larger vision that they are most interested in.

The next several months will be exciting as we address these issues. Secretary LaHood and I look forward to working with the Committee in realizing this once in a lifetime opportunity for American rail transportation.

I appreciate this opportunity to appear before you today and look forward to answering any questions you might have.

#