

Statement of Karen J. Hedlund

Nominee to become a Member of the Surface Transportation Board

Before the United States Senate Committee on Commerce, Science and Transportation

June 24, 2021

Chairman Cantwell, Ranking Member Wicker and distinguished Members of the Committee on Commerce, Science and Transportation, thank you for affording me the opportunity to appear before you today in consideration of my nomination to serve on the Surface Transportation Board. I am also grateful to President Biden for his nomination. Having worked on the development of freight and passenger rail projects across the country, in both the public and private sectors, it would be a great privilege for me to work to fulfill the Board's crucial role in ensuring a robust national freight and passenger rail system in the 21st Century.

I also want to thank my amazing children and their families for their support. My son Alex is here with me today, and my other son Erik, my daughters-in-law and grandchildren are zooming in.

I had the privilege of serving in the Obama Administration as Chief Counsel of the Federal Railroad Administration and as FRA Deputy Administrator. During my time at FRA, one of our primary responsibilities was to administer President Obama's intercity passenger rail program. Many of the funded projects entailed improvements to rail lines owned by our Class 1 railroads that host Amtrak service. In the course of negotiating related agreements with them, I became very familiar with their commercial interests and concerns. We also worked diligently on rail safety issues, including improving the ability of tank cars to withstand derailments, an issue that is primarily within the jurisdiction of FRA and PHMSA.

Since stepping down from my position at FRA at the end of 2014, I have continued to remain involved in some of the Nation's most significant rail development projects, including the Gateway Hudson River Tunnel and Bridge Project and the proposed Ultra-High-Speed Ground Transportation Project connecting the States of Oregon and Washington and the Province of British Columbia. In Colorado, I have worked with the Southwest Chief and Front Range Passenger Rail Commission on developing a new passenger rail line from Fort Collins to Pueblo and beyond. I have also assisted the Northeast Corridor Commission in connection with a cost allocation matter involving escalating insurance costs for transit users of the Corridor.

I have also worked on legislative proposals to advance intercity rail as a member of the American Public Transportation Association's Legislative Steering Committee. And I would like to commend the Chair and Members of this Committee for their work in advancing rail through your historic bipartisan Surface Transportation Investment Act, which would authorize \$78 billion over 5 years for rail, multimodal and safety programs, and provide other important measures to advance both freight and passenger rail.

Additionally, I would bring to the Board my 35 years of experience as a practicing attorney with several of the nation's leading law firms, focusing on infrastructure finance and development. In the course of serving as counsel to both public and private entities on multi-million-dollar transactions, I gained a deep understanding of the capital markets that finance our Nation's railroads, and other surface transportation projects.

While, as you understand, I cannot comment on any specific matters pending before the Board, I am well aware of the challenges presented by its current docket. The Board will be considering the first merger(s) involving two Class I railroads since the Board's merger rules were revised in 2001. I appreciate that merger reviews can be time-consuming, complex, and controversial, and can have a profound impact on the shape of the rail industry and the way in which rail service is provided.

The Board is also working on several important rulemakings that have broad-ranging policy implications for the railroad industry and that could have a significant impact on how rate and other disputes are resolved. These pending proceedings include proposed new procedures to reduce the cost, complexity, and duration of rate reasonableness cases, particularly for smaller disputes. I am also familiar with Senator Baldwin's proposed Rail Shipper Fairness Act that also seeks to address these and other issues.

The Board will also be playing an increasing role with respect to intercity passenger rail. This includes authorization of new high-speed passenger rail lines, and considering Amtrak-host railroad on-time service and cost allocation issues. There is also a proceeding relating to the long-sought reinstatement of passenger service over the Gulf Coast line, which I became familiar with when I was at FRA.

My approach to matters before the Board and its investigations and policy making processes will be to prioritize thorough analysis and full transparency by the parties regarding factual, policy and legal issues. If confirmed, I commit to bring my transportation, finance and legal experience to the Board and to address all matters in a fair and impartial manner. I will also work diligently to see that all outcomes, first and foremost, serve the public interest.

Thank you for your time, and I look forward to answering your questions.