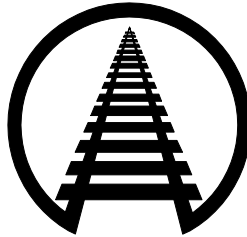


**STATEMENT OF**

**IAN JEFFERIES**

**PRESIDENT & CHIEF EXECUTIVE OFFICER  
ASSOCIATION OF AMERICAN RAILROADS**



**BEFORE THE**

**SENATE COMMITTEE ON  
COMMERCE, SCIENCE & TRANSPORTATION**

**HEARING ON AMTRAK: NEXT STEPS FOR PASSENGER RAIL**

**JUNE 26, 2019**

**Association of American Railroads  
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## Introduction

On behalf of the members of the Association of American Railroads (AAR), thank you for the opportunity to appear before you.

AAR has a diverse membership of both freight and passenger railroads, both large and small. The freight railroad members, which include the seven large U.S. Class I railroads as well as approximately 170 U.S. short line and regional railroads, account for the vast majority of freight railroad mileage, employees, and traffic in the United States. Amtrak is a member of the AAR, as are various commuter railroads that in aggregate account for more than 80 percent of U.S. passenger railroad trips.

Like freight railroads, passenger railroading plays a key role in alleviating highway and airport congestion, decreasing dependence on foreign oil, reducing pollution, and enhancing mobility. All of us want passenger railroads that are safe, efficient, and responsive to the transportation needs of our country.



Meanwhile, America is connected by the most efficient, affordable, and environmentally responsible freight rail system in the world, a system which is overwhelmingly built and maintained by the freight railroads themselves. Whenever Americans grow something, eat something, export something, import something, make something, or turn on a light, it's likely that freight railroads were involved somewhere along the line. Looking ahead, America cannot prosper in an increasingly competitive global marketplace without a best-in-the-world freight rail system.

AAR's membership agrees that America can and should have both safe, effective passenger railroading *and* a safe, productive, freight rail system. Mutual success for both passenger and freight railroads requires collaboration and a recognition of the challenges –especially capacity –

railroads face. Government efforts should balance the country's need to move people and goods safely and efficiently.

### **Freight and Passenger Rail Partnerships: Decades in the Making**

Well into the 20<sup>th</sup> century, railroads were the primary means to transport people and freight in the United States, but that didn't last. Thanks to the huge expansion of America's highway system and the development of commercial aviation, private railroads were losing around \$725 million annually by 1957 — equivalent to approximately \$5 billion per year in today's dollars — on passenger service.

These massive losses continued for years, largely because government regulators made it very difficult for railroads to discontinue unprofitable passenger rail service. In essence, for decades railroads were forced to lose huge sums every year providing a public service that fewer and fewer people chose to use. By 1970, passenger rail ridership had plummeted to around 11 billion passenger-miles, down 88 percent from its 1944 peak of 96 billion, despite a 40 percent increase in population during that time. The massive passenger losses were draining a rail system that was also facing unrelenting pressure on its freight side from subsidized trucks and barges, leading to railroad bankruptcies, consolidations, service abandonments, deferred maintenance, and general financial deterioration.

The Rail Passenger Service Act of 1970 (RPSA), which created Amtrak, wanted to preserve a basic level of intercity passenger rail service while relieving private railroads of the obligation to provide money-losing passenger service that threatened the viability of freight railroading.

Given the huge financial drain, railroads generally welcomed the opportunity to largely exit the passenger business, but first they had to provide the backbone of today's system. Freight railroads initially helped capitalize Amtrak in cash, equipment, and services; these payments to

Amtrak totaled around \$850 million in today's dollars. Freight railroads were also required to provide preference to Amtrak passenger service over freight service, a benefit that still continues. Finally, when operating on another railroad's tracks, Amtrak generally is required to pay no more than the incremental costs. To this day, this low track rental fee is a major indirect subsidy paid not by taxpayers or Amtrak riders, but by the freight railroads.

Today, freight railroads provide the foundation for most passenger rail. Amtrak owns approximately 730 route-miles, primarily in the Northeast Corridor, which account for about 40 percent of Amtrak's total ridership. Nearly all of the remaining 97 percent of Amtrak's 22,000-mile system consists of tracks owned and maintained by freight railroads. Freight railroads also furnish other essential services to Amtrak, including train dispatching, emergency repairs, station maintenance, and, in some cases, police protection, claims investigation, and communications capabilities.

In addition, hundreds of millions of commuter trips each year occur on commuter rail systems that operate at least partially over tracks or right-of-way owned by freight railroads, and most of the higher speed and intercity passenger rail projects under consideration nationwide involve using freight-owned facilities.

### **Principles to Guide Passenger Rail Operations on Freight-Owned Corridors**

Each project involving passenger and freight railroads should be evaluated on a case-by-case basis. Projects have a better chance of success if certain overarching principles are followed. These principles should not be seen as barriers; instead, they should be seen as a means to ensure what all of us want: the long-term success of passenger rail *and* a healthy freight rail system that shippers all over the country rely on every day.

First and foremost, safety always comes first. Railroads are an extremely safe way to move people and freight, and everyone in railroading wants to keep it that way.

Second, current and future capacity needs of both freight and passenger railroads must be properly addressed. Today, freight railroads carry twice the volume they did when Amtrak was formed. Freight corridors are expensive to maintain and many freight corridors lack spare capacity. Passenger rail use of freight rail corridors must be balanced with freight railroads' need to provide safe, reliable, and cost-effective freight service to present or future customers. To improve capacity and the safety of the rail network, privately owned freight railroads spend on average \$25 billion each year on maintenance and capital improvements, ultimately benefiting Amtrak, surrounding communities, and the nation as a whole. When existing or potential future freight traffic levels are so high that there is no spare capacity for passenger trains, new infrastructure might be needed before passenger trains can be added to operate over a line.

Third, proper funding is necessary, especially as Amtrak looks to change and expand service offerings. As laid out in AAR's surface transportation reauthorization recommendations, policymakers should provide passenger railroads — including Amtrak — with the dedicated funding they need to operate safely and effectively, and to pay for expanded capacity when they require it. It is not reasonable to expect Amtrak to be able to plan, build, and maintain an adequate network that provides optimal transportation mobility and connectivity when there is excessive uncertainty regarding what its capital and operating funding will be from one year to the next. If Congress provides predictable and needed



levels of federal funding support, Amtrak and its state partners could better deliver a future of improved reliability, enhanced capacity, more service, and reduced trip times.

Fourth, all railroads are committed to providing reliable service to all its customers – shippers and passengers. All parties must recognize that the priority of Amtrak’s trains over freight trains does not mean there will be no delays to Amtrak trains. We’re all familiar with the high occupancy vehicle (HOV) highway lanes here in Washington. These lanes give preference to automobiles with more than one person inside, allowing them, in theory, to get where they’re going with little to no delay. That doesn’t always happen, though. Sometimes bad weather, unexpected heavy traffic volume, accidents, or other problems cause motorists in HOV lanes to be delayed. The same principle must be applied to the rail network: Amtrak is given preference, but preference cannot mean a guarantee.

### **On-Time Performance Metrics**

Ever since Amtrak was created, Amtrak and freight railroads have worked together to establish and implement the rules and procedures governing their interactions. Most of these rules and procedures are spelled out in formal bilateral operating agreements negotiated between Amtrak and host railroads. These operating agreements are the products of decades of real-world experience regarding what works well and what does not. The agreements often include clauses that provide incentives and penalties to freight railroads to help ensure that Amtrak trains meet specified on-time targets.

The freight railroads and Amtrak are in a far better position than anyone else to determine, working together, what these operating agreements should contain and how they should be structured.

Keeping both Amtrak and freight trains running on time is a tremendously complex issue. When Amtrak was created, freight railroads had significant excess capacity. Since then, much of this excess capacity has been shed, and freight traffic growth has consumed much of what remained.

Day-to-day realities of the 140,000-mile rail network come into play too. For example, when track conditions warrant it, freight railroads temporarily reduce allowable operating speed for safety reasons. These “slow orders” can delay trains of all types, but safety must take precedence over everything else. Similarly, railroads must devote sufficient time to needed track and signal maintenance. This often produces unavoidable delays in the short term for freight and passenger trains, but improves service reliability — and enhances safety — in the long term.

The establishment and periodic review of reasonable and realistic schedules and determination of meaningful on-time performance metrics should be undertaken jointly by host railroads and Amtrak and governed by private, bilateral contracts that consider the unique circumstances of particular routes. One-size-fits-all solutions will not work on a network as complex or important as our nation’s rail system.

I was encouraged by Federal Railroad Administration (FRA) Administrator Ron Batory’s testimony at last week’s hearing where he indicated the next steps on setting metrics and standards rules. Specifically, he said that the rules would be made using a cooperative process with both Amtrak and the freight railroads at the table, that schedules would be reviewed and updated based on today’s rail conditions, that future schedules between Amtrak and the host railroad would be validated, that the industry would use technology, not human measurement tools, to determine reasons for delay, and that the focus would be on realistic consumer expectations. All of AAR’s members stand ready to work with the Administrator as this process continues.

## **Positive Train Control (PTC) Update**

Before I close, I want to provide this committee with an update on railroad efforts to implement PTC. The seven Class I freight railroads all met statutory requirements by having 100 percent of their required PTC-related hardware installed, 100 percent of their PTC-related spectrum in place, and 100 percent of their required employee training completed by the end of 2018. In aggregate, Class I railroads had 89 percent of required PTC route-miles in operation as of April 2019. Each Class I railroad expects to be operating trains in PTC mode on all their PTC routes no later than 2020, as required by statute. In the meantime, railroads, in coordination with Amtrak, other passenger railroads, and other tenant railroads, are continuing to test and validate their PTC systems thoroughly to ensure they are interoperable and work as they should.

## **Conclusion**

Having both safe, effective passenger railroads and a safe, productive, freight rail system should be the common goal of all of us because it is in America's best interest. I am confident that together the freight railroads and Amtrak can find common ground that benefits all parties.