

**TESTIMONY OF
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60 MASSACHUSETTS AVENUE, NE
WASHINGTON, DC 20002**

**BEFORE THE
SENATE COMMITTEE ON COMMERCE, SCIENCE, AND
TRANSPORTATION
SUBCOMMITTEE ON SURFACE TRANSPORTATION AND
MERCHANT MARINE INFRASTRUCTURE, SAFETY, AND
SECURITY**

**HEARING ON
“PASSENGER RAIL: OPPORTUNITIES AND CHALLENGES
FOR THE NATIONAL NETWORK”**

TUESDAY, FEBRUARY 23, 2016

9:45 A.M.

253 RUSSELL SENATE OFFICE BUILDING

Madam Chairman, and members of the Committee, good morning.

I'm pleased to have the opportunity to be here with you this morning. I regret that I missed the chance to accompany you, Senator Wicker, on last week's inspection trip across the Gulf Coast states. I saw the videos and the articles, and I heard what our folks had to say about the trip, and the outpouring of support was simply tremendous. The work you and your colleagues did in creating a mechanism for service restoration in the FAST Act will be a critical part of how regions of the country like the Gulf Coast go about restoring Amtrak service.

We are "America's Railroad" because we were created by Congress, and serve over 500 communities in 46 of the 48 contiguous states. We don't just leap from city to city – we connect smaller towns and communities with one another, and with the nation's major urban centers. These communities pay taxes too, and we provide them a service they use and depend on. I think the excitement you saw last week is dramatic evidence of just how much we can bring to those towns – and how deeply they appreciate it.

The past decade has seen major increases in ridership and revenue. But, we've started to encounter some headwinds. The pending Surface Transportation Board on-time performance rulemaking is one major issue. It could seriously impact both the long distance and state supported trains, and raise costs to states. We are also facing some revenue challenges. As you may have heard, I recently wrote our employees and our stakeholders a letter about some other challenges we face, as ridership and revenues are affected by the drop in oil prices, recent bad weather – and even a strong dollar, which hurt international sales. This will be a challenging

fiscal year for us and the rail industry. I think these challenges will continue in the years to come, and it's going to be important that all of us who believe in intercity passenger rail work together to support its development.

The recent FAST Act acknowledges this by including Amtrak in the nation's surface policy for the first time, and as with previous reauthorizations, it restates Congress's intention that Amtrak operate a national system of service. The Act further requires Amtrak and the Department of Transportation to work together to create separate "Northeast Corridor" and "National Network" accounts by December, 2016. The National Network account will combine Long Distance and State Supported networks for accounting purposes, and future Amtrak funding will be requested on that basis. The FRA will play a significant role in the organizing of these financial accounts and will, when it's over, be responsible for overseeing how we allocate these funds.

The long distance trains are the only Amtrak service on 70% of our route mileage, at half of our stations, and in half of the states we serve. People often see these trains through the prism of their own experience, and imagine a point-to-point operation that resembles an airline between the major endpoints, such as Chicago and Seattle. But while these trains operate between distant endpoints, that is not how they're typically used by our riders. As much as 90% of the ridership on some of our longest routes is starting or ending somewhere along the route, rather than going endpoint to endpoint. People mostly depend on these trains for short-distance trips – getting from a rural community to a major city or traveling between cities along the route, when alternatives like bus service, commercial flights or private auto use aren't available or practical.

The majority of the annual funding need for the long distance trains is therefore for operating support to help cover the costs of these trips for passengers who need to make them.

On the other hand, the needs of the Northeast Corridor are essentially all capital-related. This committee has heard testimony in the past from numerous officials, including recently our Board Chairman, Tony Coscia, and the NEC Commission, about the urgent need for capital investment in the infrastructure. Our top priority among a long list of major priorities is the Gateway Program.

The Gateway Program – which preserves and expands rail service between New York and New Jersey – took on increased urgency in 2012, when Super Storm Sandy sent salt water into the tunnels connecting to Penn Station, compromising critical electrical and signal systems and threatening the reliability of operations day-in and day-out. The first element of the Gateway Program is to build a new, two-track Hudson River rail tunnel that will allow Amtrak to rebuild the existing tunnel without disruption to the 450 daily NJ TRANSIT and Amtrak trains that operate over these two tracks.

In light of this imperative, steps have been taken in that last year to move critical elements forward. The FAST Act makes key changes to federal loan and grant programs that will benefit both Gateway and other programs. The announcement of a Federal/State 50-50 funding and financing split and creation of the “Gateway Development Corporation” to deliver the program has been a significant step, as is the planned launch in April of the environmental process for the

crucial Hudson Tunnel Project. Important those these steps are, major federal funding is needed to advance the program, particularly ready-to-go projects such as the Portal Bridge replacement.

Let me say in closing that we want to continue the trend of recent years, both by becoming more efficient and transparent, and continuing to reduce debt levels and improve ridership and revenue, while exploiting all opportunities to expand the reach of our service. As you saw just last week, there's a pent-up demand for rail passenger services. The inclusion of Amtrak in the surface transportation reauthorization creates an opportunity to address the great outstanding need for a dedicated and predictable source of funding.

I say this because we all have an interest in ensuring that Amtrak continues to be as effective as possible, and that the American people in all regions of the country receive the passenger service they deserve. We are committed to embracing innovation that can help drive greater value for the American public and have started considering ways to respond to both the changing markets and needs of the nation, while taking the Committee's expectations into account. In doing so, we must make sure we don't compromise our ability to offer service efficiently. When I came to Amtrak, I knew I was leading a very special company – but my time there has proven to me, over and over again, that Amtrak is a national treasure, staffed by some of the best and most talented people in the rail business. That is something this nation cannot afford to lose.

During my tenure, I sought a Federal commitment for all of Amtrak's needs. The FAST Act has taken the critical first step by adding Amtrak and the intercity passenger rail program to surface

reauthorization. But the key will be whether appropriations levels can grow over time to meet the major capital needs we have in the Northeast Corridor and across the company. While the realignment of the company into specified accounts has benefits, we also see risks, particularly in a constrained funding environment. We must be careful not to lose the economies of scale of a unified operation. One of the things I have learned in my eight years of service is that a unified system brings not just economies of scale, but a greater understanding of the value that Amtrak delivers for the nation. We hope the FAST Act can help to build an even stronger network of support for intercity passenger rail service around the respective needs of our national network of state corridors and long distance services and the Northeast Corridor infrastructure and unifying those interested here in the Congress and across the country.